

For discussion at Pension Committee meeting of June 10, 2011.

-----Original Message-----

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**Sent:** Tuesday, May 24, 2011 8:34 AM

**To:** John Switzer

**Cc:** George Luste

**Subject:** Governing Council Pension Committee

John -

You may recall that towards the end of our meeting on April 6, following the presentation by UTAM CEO Bill Moriarty, I asked why the assets of our Pension Fund should be invested by UTAM rather than invested in accordance with the Reference Portfolio, which Moriarty had indicated produced better returns and, according to his report, was "an easily implementable, low cost approach". In his response, Moriarty admitted that the Reference Portfolio had in fact produced better returns than the UTAM portfolio for the previous ten years.

The "sunshine list" indicates that Moriarty received a salary in 2010 of almost \$700,000 and the three Managing Directors received salaries of \$330,561, \$246,002 and \$232,500. At least two other UTAM staff members were listed as receiving well over \$100,000. These salaries are drawn from the Pension Fund.

It seems clear to me that, in observing our fiduciary duty, members of the Pension Committee need to be informed about UTAM. The following are among the many questions that occur to me:

Who is responsible for hiring UTAM staff?

Who determines their salaries and benefits?

What are the terms and conditions of their employment?

Have they received bonuses?

Are their UTAM positions full-time?

What is not clear to me is how we go about obtaining this information. Our Pension Committee meetings have been occupied almost entirely with presentations by the Presidential assessors. The matter of UTAM - for information and discussion - would seem to be a compelling item for our agenda, to be addressed as soon as possible.

Thanks -

Helen Rosenthal

## Response to Rosenthal questions

1. Who is responsible for hiring UTAM staff?
  - a. The CEO of UTAM is hired by the board of UTAM on the recommendation of the President of the University.
  - b. The CEO is responsible for hiring the staff.
2. Who determines their salaries and benefits?
  - a. Salaries and benefits are determined under a compensation plan approved by the UTAM Board after consultation with the Senior Appointments and Compensation Committee of the University of Toronto. The UTA board is reviewing the compensation plans at its next board meeting.
3. What are the terms and conditions of their employment?
  - a. Individual details are confidential, but in general they are paid a base salary and a bonus if targets are met.
4. Have they received bonuses?
  - a. Yes. They did not receive bonuses for the year in which the fund lost money, but since the bonuses are calculated and paid over a three year time frame, they did get payments related to prior years.
5. Are their UTAM positions full time?
  - a. Yes

It should be noted that the composition of the UTAM board was changed a year ago and now consists of the President of the University of Toronto, the VP Business Affairs, the CFO, the President of UTFA and the CEO of UTAM.

The choice is not whether the money should be managed by UTAM or invested in the Reference Portfolio. The Reference portfolio is a theoretical portfolio. The choice is what should the asset mix be?

This is a question that the Pension Committee will have to deal with as soon as it has decided on the return target and the risk tolerance.