

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 21 OF THE PENSION COMMITTEE

September 18, 2015

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Friday, September 18, 2015 at 4:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Claire Kennedy, In the Chair
Mr. Alex McKinnon, Vice-Chair
Mr. Harvey Botting
Mr. Jeff Collins
Professor Ettore Vincenzo Damiano
Professor Paul Downes
Professor Jennifer Jenkins
Mr. Mark Krembil*
Mr. Brian D. Lawson
Ms Leanne MacMillan
Dr. Gary Mooney*
Professor Andreas Motsch
Ms Kim McLean
Mr. Andrew Szende
Mr. Bruce Winter

Non-Voting Assessors:

Ms Sheila Brown, Chief Financial Officer
Professor Angela Hildyard, Vice-President, Human
Resources and Equity
Professor Scott Mabury, Vice-President, University
Operations

Secretariat:

Mr. David Walders, Secretary

***Participated by telephone**

Regrets:

Mr. David Bowden
Ms Colleen Burke
Mr. Jeff Collins
Ms Janet Ecker

In Attendance:

Dr. Pierre Piché, Controller & Director Financial Services, University of Toronto
Mr. Allan Shapira, Plan Actuary, AON Hewitt
Mr. Daren Smith, Managing Director, Manager Selection, UTAM

The Chair welcomed members and guests to the first Pension Committee meeting for 2015-16.

1. Calendar of Business for 2015-16

Ms Brown outlined the items on the Calendar of Business for the coming year. There were no questions from members.

2. Review of Estimated Fund Status at July 1, 2015

Ms Brown informed the Committee that the figures presented were early estimates and that, while investment returns had been updated to reflect 2014-15, other assumptions had not been updated for 2015-16 experience. Mr. Shapira then offered the Committee an overview of the estimated fund status, highlighting the following points:

- Valuation of the plan was examined from two perspectives: going concern and wind-up.
- The unfunded accrued liability based on market value of assets was estimated to be \$496.8 million for both plans combined at July 1, 2015.
- By way of comparison, the going concern unfunded accrued liability for the RPP and OISE plans combined, based on market value of assets, had been calculated at \$729.5 million at July 1, 2014.

In reply to a member's question, Ms Brown confirmed that there was currently no allocation in the pension special payments operating budget for estimated net solvency additional special payments, which would be required beginning in 2018, absent any changes to the regulatory requirements for solvency funding. Going concern special payments were included in that budget.

3. Review of Investment Performance to June 30, 2015

Mr. Moriarty introduced Mr. Darren Smith, Managing Director, Manager Selection at UTAM and then presented a report which highlighted the following:

- The actual return for the Pension Master Trust (PMT) for the twelve-month period from July 1, 2014 to June 30, 2015 was 11.88%. The actual return for the PMT exceeded the nominal investment return target and the return for the reference portfolio
- Active management had added about 423bps to the portfolio in FY 2015
- Economic conditions would likely remain uneven and growth was expected to generally remain below historical trend. On a simple 60-40 asset mix, projected returns were indicated to be considerably less than the 4% real return target.

Members asked how UTAM reduced volatility in the portfolio to bring the volatility back within the established risk limits for the portfolio, and also inquired about UTAM's investment in fossil fuels. In reply, Mr. Moriarty reported that UTAM had taken a number of distinct steps to reduce risk, including replacing equity exposure with credit exposure and replacing some managers. He also reported that UTAM had engaged an outside firm to conduct an audit of UTAM's risk procedures and that the results of the final report would be presented to the Committee when they became available. Turning to fossil fuels, Mr. Moriarty reported that approximately 10% of the overall portfolio and 20% of the

Canadian equity envelope was invested in the energy sector. More broadly, Mr. Moriarty noted that divestment from fossil fuels was the subject of an advisory committee, appointed by the University's President, which would examine the topic and issue a recommendation to the President.

4. University of Toronto Pension Plans: Actuarial Assumptions

a. Proposed Actuarial Assumptions at July 1, 2015

Ms Brown apprised members that the only change made to the Actuarial Assumptions from last year was the proposal to continue using the market value of assets to determine the financial status of the plans, without smoothing.

On motion duly made, seconded and carried

It was Resolved

THAT, effective July 1, 2015, that the going concern, solvency and hypothetical wind-up assumptions contained in Attachment 1, Appendix 1, be adopted for the University of Toronto Pension Plan, the University of Toronto (OISE) Pension Plan and the Supplemental Retirement Arrangement.

b. History of Actuarial Assumptions, 1983 to 2014

The History of the Actuarial Assumptions from 1983-2014 was received for information.

5. Verbal Update: OISE Merger, and Jointly Sponsored Pension Plan (JSPP) Initiatives

Professor Hildyard noted that the Council of Ontario Universities and the Ontario Confederation of University Faculty Associations had created a proposed structure for a multi-employer JSPP. The University was examining whether it would participate in the mediation session. Professor Downes noted that the University of Toronto Faculty Association was educating its members about this proposal.

CONSENT AGENDA

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted

6. Report of the Previous Meeting: Report Number 20, June 1, 2015

Report Number 20, from the meeting of June 1, 2015, was approved.

7. Business Arising from the Report of the Previous Meeting

There was no business arising from the report of the previous meeting

8. Date of Next Meeting: December 8, 2015 at 4:00 p.m.

9. Reports of the Assessors

There were no reports of the Administrative Assessors

10. Other Business

No other business was raised.

The meeting adjourned at 6:15 p.m.

Secretary

Chair

November 2, 2015