



**FOR ENDORSEMENT &
FORWARDING**

PUBLIC

CLOSED SESSION

TO: Executive Committee

SPONSOR: Sheree Drummond, Secretary of Governing Council
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PRESENTER: See above
CONTACT INFO:

DATE: June 7, 2016 for June 16, 2016

AGENDA ITEM: 4 (e.)

ITEM IDENTIFICATION:

Revision to the Business Board Terms of Reference (Section 5.1(c))

JURISDICTIONAL INFORMATION:

The Governing Council has established Boards and Committees and assigned responsibilities among those bodies through their terms of reference. The Governing Council has periodically approved changes in Board and Committee terms of reference to respond to changing circumstances and expectations of governance.

GOVERNANCE PATH:

1. Executive Committee [for endorsement and forwarding] (June 14, 2016)
2. Business Board [for information] (June 16, 2016)
3. Governing Council [for approval] (June 23, 2016)

PREVIOUS ACTION TAKEN:

The Business Board Terms of Reference were most recently approved by Governing Council on February 16, 2012.

HIGHLIGHTS:

Amongst other responsibilities, the Business Board is responsible for investment matters. Clause 5.1. (b) of the Business Board Terms of Reference includes the following responsibilities with respect to investments:

- *review and approval from time to time of the return targets and risk tolerances for the investment of the University funds*

- review from time to time of the asset allocation for the investment of University funds
- review and approval from time to time of the investment policies for university investment funds and amendments thereto
- approval of the delegation of authority to a University-controlled asset management corporation (or other entity established for a similar purpose) for the management of investment of University funds
- approval of provisions for the appointment of a Board to oversee the work of that corporation and arrangements for the appointment and removal of its members (or approval of the establishment of some other entity to achieve a similar purpose)
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University funds, such reports to include, without limitation: (i) reports on investment risk and return; and (ii) reports on fees and expenses incurred
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment performance of the pension funds, to discharge the Board's responsibility to ensure the fiscal integrity of the University.

Clause 5.1 (c) delegates to the President or designate the following responsibilities with respect to investments:

- with the advice of the Investment Advisory Committee, approval of asset allocation for the University Funds (and review of the asset allocation for the Pension funds)
- negotiation and settlement of a detailed investment management agreement between the University and a University-controlled asset management corporation (or other entity established for a similar purpose), pursuant to the approved delegation of authority to the corporation (or other entity) for the management of University funds. The Agreement would include for University fund criteria for assessment of services provided and investment performance in comparison to risk and rate of return objectives specified in the approved investment policy and other benchmarks established through this agreement from time to time.

At this time, the Investment Advisory Committee is being changed to an Investment Committee (IC), with a strengthened role to work with the UTAM¹ Board and UTAM management staff on behalf of the President. The Investment Committee is responsible for interacting with the UTAM Board and, as required, with the management staff of UTAM to convey the President's views and instructions, and to act on the President's behalf regarding relevant investment-related activities that are within the authority of the President. It is constituted so as to have significant expertise to provide direct input to UTAM staff as they carry out their duties. For clarity, the IC is a committee of University management, not a committee of governance.

Attached are the revised Business Board *Terms of Reference* for endorsement and forwarding by the Executive Committee to Governing Council for approval. Also attached, for the information of Board members, are the Terms of Reference for the Investment Committee² along with a brochure which describes pictorially the roles and relationships of the boards and committees with responsibility for investments: *Investments: Who Does What?*

¹ UTAM is the University of Toronto Asset Management Corporation.

² The Investment Committee is currently being put in place, with approval of its Terms of Reference by the President on May 20, 2016, with consideration by the UTAM Board on June 14, 2016, and with a change to the Business Board Terms of Reference, clause 5.1. (c), to be considered by the Business Board on June 16, 2016 and by the Governing Council on June 23, 2016. Clause 5.1 (c), which describes the areas of responsibility which are delegated to the President or designate, is being changed to refer to the Investment Committee rather than the Investment Advisory Committee.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION:

Be It Resolved

THAT the following recommendation be endorsed and forwarded to the Governing Council:

THAT, the proposed revised Terms of Reference of the Business Board be approved, effective June 23, 2016, replacing the amended Terms of Reference previously approved by the Governing Council on February 16, 2012.

DOCUMENTATION PROVIDED:

- Appendix 1: Business Board Terms of Reference (red-lined to show the proposed change)
- Investment Committee Terms of Reference
- *Investments: Who does What?* Brochure



BUSINESS BOARD
TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Total membership is about 31, including at least 12 alumni members or Lieutenant-Governor-in-Council appointees to Governing Council, up to 6 co-opted lay members and 3 administrative assessors selected by the President appointed *ex officio*. There will also be representatives on the Board from teaching staff, administrative staff and students. The usual composition of the Board is shown below. Membership may vary slightly from year to year.

CONSTITUENCY	GOVERNING COUNCIL	NON-GOVERNING COUNCIL	TOTAL
Administrative Staff	1 or 2	1 or 0	2
Alumni	5	0	5
LGIC Appointees	7	0	7
Teaching Staff	1 or 2	1 or 0	2
Students	1 or 2	1 or 0	2
Presidential Appointees	0 or 1	0	0-1
Presidential Assessors			3
Others (Co-opted lay members)	0	up to 6	up to 6
<i>Ex Officio</i>			
Chancellor	1	0	1
Chair	1	0	1
Vice-Chair	1	0	1
President	1	0	1
TOTAL			up to 31

The Secretary of the Governing Council is an *ex officio*, non-voting member.

Members of the Governing Council are appointed to the Board annually by the Council. Other, or “co-opted”, members are appointed by the Board on the recommendation of its Striking Committee (see below). For the co-opted lay member seats, the Chair of the Governing Council and the Chair of the Business Board shall take particular responsibility for nominating candidates to the Striking Committee.

1. MEMBERSHIP (Cont'd)

1.2 Term

Terms normally begin on July 1 and continue to June 30.

Governing Council members are appointed by Council for one-year terms. They may be reappointed, subject to their continued membership on the Council.

Because Governing Council members may in any year fill all places on the Board for administrative staff, alumni, teaching staff and students, co-opted members from those constituencies are appointed for a one-year term only, which is renewable if the place is available the next year.

The co-opted lay member appointments are normally made for three-year terms, which are renewable for a second and, in exceptional circumstances, a third term. In making these appointments, the Board will seek an appropriate balance between continuity and renewal. The Board will also seek to establish a rotation so that the terms of office will be staggered and one third of the co-opted lay members' terms will end each year.

1.3 Chair and Vice-Chair

The Chair and Vice-Chair of the Board are appointed by the Governing Council from among the members of the Council on the Board.

2. QUORUM

One-third of the voting members (usually 11 members).

3. COMMITTEES

3.1 Standing Committees

The Audit Committee reports to the Business Board.

3.2 Special Committees

The Business Board does not normally establish Special Committees. The President or the appropriate Presidential assessor has an obligation to tender advice and develop proposals for action on all matters within the terms of reference of the Business Board.

3. COMMITTEES (Cont'd)

3.3 Striking Committee

The Striking Committee, appointed annually by the Board on the recommendation of the Chair, shall recommend to the Board: (a) the appointment of co-opted members (members who are not members of the Governing Council) to the Business Board and the Audit Committee and (b) the Chair and Vice-Chair (if any) of the Audit Committee.

Membership of the Striking Committee consists of the Chair of the Board, *ex officio*, plus five members of the Board who shall be selected so that the Striking Committee includes at least one administrative staff member, one alumni member, one Lieutenant-Governor-in-Council appointee, one member of the teaching staff and one student member. The Chair of the Board serves as Chair of the Committee. The Board's voting assessors are invited to attend meetings of the Striking Committee in an advisory capacity.

The Striking Committee meets *in camera* and its recommendations are considered by the Board meeting *in camera*.

4. FUNCTION

The Business Board is responsible for consideration of policy and for monitoring matters affecting the business affairs of the University.

5. AREAS OF RESPONSIBILITY

The following areas are within the Board's responsibility:

- Financial policy, including policy delegating financial authority, and approval of financial transactions as required by policy
- Policy on financing and execution of capital projects and approval of any transactions as required by policy¹
- University-owned or leased property including physical plant, equipment and works of art
- University policy on ancillary operations and monitoring of business ancillaries
- Policy on fundraising
- Alumni affairs
- Relations with the external community
- Institutional communications
- Policy on organization of business functions
- Human resources policy for administrative staff (except librarians)
- Employee benefits

¹ The Policy on Capital Planning and Capital Projects states that "the Business Board will assess the extent to which the project is within it approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project."

5. AREAS OF RESPONSIBILITY (Cont'd)

Monitoring and recommending policy on the occupational health and safety of members of the staff of the University and other policy pertaining to the health and safety of all members of, and visitors to, the University except for those matters falling within the terms of reference of the University Affairs Board

Contractual relations with employee groups
Tuition fees/policy on ancillary fees

The Business Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters:

- (a) which are deemed, pursuant to By-law Number 2, section 31(d)², to be of major significance for the University as a whole, or to have major significance with respect to the University's public or fiduciary responsibilities; or
- (b) which Governing Council is required by statute or specific contractual obligation to approve; or
- (c) which are reserved to Governing Council by these terms of reference, as amended from time to time by Governing Council.

The President or designate holds delegated authority to act for Governing Council with respect to approval of business transactions in the normal course of business.

Authority for approval in specific matters is as follows. The specific items below are intended to supplement, not limit, the general statements above in sections 4 and 5.

² This section provides that “Where the Council, with respect to any matter or class of matters, has conferred on any committee reporting directly to it authority to act on its behalf, and where, prior to the adoption by the committee of a resolution to determine the matter, the Chairman of the Governing Council, the Chair of the committee, the President (or an administrative assessor acting for the President), or the committee itself is of the opinion that the matter is major in significance with respect to the University as a whole or with respect to the public or fiduciary responsibilities of the Governing Council, the Chairman, Chair, President or committee, as the case may be, may require that the action of the committee be submitted to the Council for confirmation.” This provision does not apply to actions taken by the Board with respect to “agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related to compensation or that are negotiated in a collective fashion for a class or group of employees of the University.”

5. AREAS OF RESPONSIBILITY (Cont'd)

5.1 Financial policy and transactions

(a) Governing Council

- appointment of the University's auditors
- approval of the annual audited financial statements
- review of reports from the Business Board at least annually on the Board's receipt and discussion of reports on the investment of University funds
- review of reports from the Business Board at least annually on the Board's receipt and discussion of reports on the financial integrity and strength of the University's endowment funds, pension funds and other substantial invested funds.

(b) Business Board

- approval of policies governing the financial operations of the University, including policies delegating financial authority
- approval of policies with respect to financial programs and transactions, and approval of individual programs and transactions as required by those policies
- review of regular reports on matters affecting the finances of the University³ and on financial programs and transactions
- concurrence with the recommendation of the Academic Board that the Budget Guidelines be approved, when the Guidelines propose deviation from approved financial policies; concurrence with the recommendation of the Academic Board that the budget report be approved⁴
- establishment, if necessary, of interim operating budget appropriations, for the beginning of the fiscal year
- approval of banking resolutions and amendments thereto
- concurrence with respect to major projects, plans, or programs outside the normal course of business that require the balancing of expense and revenue (including but not limited to new residences or parking structures)
- review and approval from time to time of the return targets and risk tolerances for the investment of the University funds
- review from time to time of the asset allocation for the investment of University funds
- review and approval from time to time of the investment policies for university investment funds and amendments thereto⁵

³ For example, financial forecasts, reports on borrowing, reports on investment of University funds, reports on any non-financial elements of University investments and reports on the financial status of the pension plans.

⁴ Such concurrence would indicate that the Business Board is satisfied that the proposed budget or budget guidelines are financially responsible.

⁵ Such policies include those governing non-financial aspects of University investments.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.1 Financial policy and transactions (Cont'd)

(b) Business Board (Cont'd)

- approval of the delegation of authority to a University-controlled asset management corporation (or other entity established for a similar purpose) for the management of the investment of University funds
- approval of provisions for the appointment of a Board to oversee the work of that corporation and arrangements for the appointment and removal of its members (or approval of the establishment of some other entity to achieve a similar purpose)
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University funds, such reports to include, without limitation: (i) reports on investment risk and return; and (ii) reports on fees and expenses incurred
- review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment performance of the pension funds, to discharge the Board's responsibility to ensure the fiscal integrity of the University.

(c) President or designate

- approval of guidelines, programs and transactions in the normal course of business to implement approved policies
- preparation of regular reports to the Board on matters affecting the finances of the University⁶ and on financial programs and transactions
- with the advice of the Investment Advisory Committee⁷, approval of asset allocation for the University Funds (and review of the asset allocation for the Pension funds)
- negotiation and settlement of a detailed investment management agreement between the University and a University-controlled asset management corporation (or other entity established for a similar purpose), pursuant to the approved delegation of authority to the corporation (or other entity) for the management of University funds. The Agreement would include for University funds criteria for assessment of services provided and investment performance in comparison to risk and rate of return objectives specified in the approved investment policy and other benchmarks established through this agreement from time to time.

⁶ For example, financial forecasts, reports on borrowing and reports on investment activities.

⁷ The Investment Committee (IC) is responsible for interacting with the UTAM Board, and as required, with the management staff of UTAM to convey the President's views and instructions, and to act on the President's behalf regarding relevant investment-related activities that are within the authority of the President. It is constituted so as to have significant expertise and the President and the UTAM Board have agreed that it can provide direct input to UTAM staff as they carry out their duties. For clarity, the IC is a committee of University management, not a committee of governance. UTAM is the University of Toronto Asset Management Corporation.

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5. AREAS OF RESPONSIBILITY (Cont'd)

5.2 Capital projects, involving new construction and major renovations

(a) Governing Council

- approval of policies governing the execution of capital projects
- (priority is assigned to capital projects on the recommendation of the Academic Board)

(b) Business Board

- approval of capital expenditures for, and the execution of, approved projects, as required by approved policies;⁸ approval of increases in capital expenditures, required as the result of changes in the scope or cost of projects, as required by approved policies.

(c) President or designate

- within established policy, carrying out approved projects including: appointment of architects; call and approval of tenders within cost limits; and the establishment and change of authorized expenditures within approved limits⁹

5.3 University property and physical plant

(b) Business Board

- approval of acquisition or disposal of real estate and approval of arrangements for the non-University use or development of University property¹⁰
- approval of policies governing the University's art collections

⁸ The Policy on Capital Planning and Capital Projects states that “the Business Board will assess the extent to which the project is within its approved parameters, its cost effectiveness, the extent to which full funding is committed or obtainable, and whether there are any significant outstanding and unresolved issues with respect to the project.”

⁹ The Vice-President, Business Affairs is currently authorized to approve expenditure increases not exceeding the lesser of 10% or \$2,000,000.

¹⁰ For the disposal, or the non-University use or development, of University property by the University or others, concurrence of the Academic Board is required, on advice of the Planning and Budget Committee, to indicate that the property is surplus to University requirements.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.3 University property and physical plant (Cont'd)

(c) President or designate

- approval of transactions in the normal course of business including: leases for which funding has been approved; acquisition and disposal of rights of way and easements, etc.; acquisition and disposal of major items of equipment, overall regulations concerning the maintenance of buildings and grounds, with reports for information to the Board on any matters of major significance to the University
- preparation of regular reports on the overall maintenance and safety of buildings and grounds¹¹

5.4 Ancillary operations

(b) Business Board

- designation of incorporated or unincorporated units as ancillaries¹² or termination of such designation
- general financial policy on ancillaries
- for incorporated business ancillaries:
 - review of annual reports and financial statements
 - approval of arrangements for incorporation
 - approval of capital spending and/or borrowing, as required by financial policy or the by-laws of the ancillary
- for unincorporated business ancillaries: approval of annual budgets or periodic approval, at least every five years, of business plans

¹¹ The Board receives an annual report on deferred maintenance and facilities renewal. The Board also receives an annual report on health and safety matters, which deals with the safety of buildings and grounds, among other matters.

¹² There are at present four classes of ancillaries.

(a) Incorporated Business Ancillaries: U of T Press, University of Toronto Asset Management Corporation.

(b) Unincorporated Business Ancillary: Residential Housing Ancillary (previously the Real Estate Ancillary).

(c) Campus and Student Services: Hart House, University College Residences, New College Residences, Innis College Residence, Woodsworth College Residence, UTM Residences, UTSC Residences, Graduate House Residence, Family Housing, 89 Chestnut Street Residence, UTM Conference Services, UTSC Conference Services and Facilities Rental, University College Food Services, New College Food Services, St. George Campus Food and Beverage Services, UTM Food and Beverage Services, UTSC Food and Beverage Services, St. George Campus Parking Services, UTM Parking Services, UTSC Parking Services.

(d) Research Ancillaries: Hungarian Research Institute of Canada.

Annual plans and budgets for the campus and student service ancillaries are approved by the University Affairs Board, within parameters established by general financial policy for ancillary operations and the University budget process.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.5 Fundraising

(a) Governing Council

- approval of overall policies and plans for fundraising campaigns
- general priorities for fundraising campaigns - established by Governing Council on the Business Board's recommendation, with the concurrence of the Academic Board
- approval of receipt of major gifts and bequests with terms and conditions of an unusual nature

(b) Business Board

- review of an annual report from the President or designate on the University's advancement activities.
- approval of the designation of the use of unrestricted gifts and bequests over \$2-million (2011 dollars)

(c) President or designate

- the organization of fundraising campaigns
- creation of volunteer fundraising bodies and appointment of members
- approval of strategies and policies concerning the general conduct of fundraising
- approval of policies on the receipt, acknowledgement and use of gifts and bequests
- the President has the authority to approve the designation of the use of unrestricted gifts and bequests of \$2-million or less (2011 dollars)
- preparation of quarterly reports on major gifts and bequests received

5.6 Relations with the external community

Review of an annual report from the President or designate(s) on the University's public and community relations activities and government relations activities.

5.7 Institutional Communications

Review of an annual report from the President or designate(s) on the University's institutional communications activities.

5.8 Alumni affairs

Review of an annual report from the President or designate(s) on the University's alumni affairs activities.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.9 Human resources policy for administrative staff (except professional librarians) and benefit programs for all employees

(b) Business Board

- Approval of human-resources policies for non-union administrative staff, except professional librarians¹³
- Approval of benefit programs and amendments thereto.

(c) President or designate

- approval of guidelines, programs and transactions to implement approved policies

5.10 Terms and conditions of employment

(b) Business Board

- approval of the initial agreement with any employee group
- approval of changes concerning the process of determining salaries and benefits
- approval of changes that constitute new policy directions, except for changes to academic employment policies within the jurisdiction of the Academic Board¹⁴
- approval of agreements and changes to agreements outside the *Labour Relations Act* with respect to terms and conditions of employment, subject to any limitations established by law or contract¹⁵

¹³ Human resources policies for unionized administrative staff are usually included in collective agreements. Authority with respect to agreements with employee groups is dealt with in section 5.10 below.

¹⁴ Employment policies within the jurisdiction of the Academic Board are defined in By-Law Number 2, section 31(b) as matters “with respect to the nature of academic employment” assigned by resolution of the Governing Council to the Academic Board.

¹⁵ Agreements with the Faculty Association arising from the report of a Dispute Resolution Panel, pursuant to clauses 22, 23 and 25 of article 6 of the Memorandum of Agreement with that Association, take effect without Business Board approval, unless the President recommends the repudiation of a non-unanimous report. Subject to any limitations imposed by law or contract, the Board approves any recommendation from the President pursuant to section 23 of article 6 of the Memorandum of Agreement with the Faculty Association to repudiate a non-unanimous report of a Dispute Resolution Panel.

Board approval is also required for changes to the terms and conditions of employment of members of groups where those terms and conditions are not established through an agreement that follows a process of collective bargaining. Those groups are professional and managerial administrative staff and administrative staff who have access to confidential information concerning labour relations.

5. AREAS OF RESPONSIBILITY (Cont'd)

5.10 Terms and conditions of employment (Cont'd)

(c) President or designate

- responsibility for the conduct of negotiations with all employee groups
- approval of changes to collective agreements under the *Labour Relations Act* that fall within existing policies and salary determination procedures

5.11 Tuition and ancillary fees

(a) Governing Council

- approval of annual general academic fee schedule

(b) Business Board

- policy on ancillary fees
- approval of academic ancillary fees as may be required by the Policy on Ancillary Fees. Ancillary fees for student services, student organizations and student levies for specific limited purposes are the responsibility of the University Affairs Board

5.12 Health and safety

(b) Business Board

- approval of policies concerning the health and safety of members of the University and visitors
- periodic review of programs to implement: (a) the *Occupational Health and Safety Act*, the *Environmental Protection Act* and regulations issued pursuant to them; and (b) other Governing Council policies concerning the health and safety of members of the University and visitors

(c) President or designate

- approval of University regulations and other actions to implement the *Occupational Health and Safety Act*, the *Environmental Protection Act*, and approved policies on health and safety
- preparation of an annual report on environmental health and safety activities, including activities undertaken to ensure compliance with the *Occupational Health and Safety Act* and the *Environmental Protection Act*

5. AREAS OF RESPONSIBILITY (Cont'd)

5.12 Health and safety (Cont'd)

(c) President or designate (Cont'd)

- preparation of reports, made to the next regular meeting of the Board, on any instances where, pursuant to the *Occupational Health and Safety Act* or the *Environmental Protection Act*: (a) an order is issued by the relevant Ministry or other regulatory authority and there is not full compliance within the specified time; (b) employees refuse to work for reason of danger to their health or safety; (c) the President or designate decides not to implement a recommendation of a Joint Health and Safety Committee established pursuant to the *Occupational Health and Safety Act*; or (d) any other significant event occurs where the Business Board should be informed to enable it to perform, on behalf of the Governing Council, its responsibilities pursuant to the *Occupational Health and Safety Act*, the *Environmental Protection Act* or other applicable legislation

6. PROCEDURES

6.1 Meetings

The Business Board usually meets in open session but may, pursuant to section 33 of By-Law Number 2, meet in closed session or *in camera* when: (i) matters may be disclosed at the meeting of such a nature, having regard to the circumstances, that the desirability of avoiding open discussion thereof outweighs the desirability of adhering to the principle that meetings be open to the public; or (ii) intimate financial or personal matters of any person may be disclosed at the meeting or part thereof.

Pursuant to section 33 of By-Law Number 2, the Board routinely moves into closed session at the end of each meeting to consider receipt of any closed session reports from its assessors. Assessors are invited to report on any matters of a confidential nature and to initiate discussion on any policy matters at an early stage of policy development, before they wish to bring a recommendation forward for debate and approval.

6.2 Agenda

In establishing agenda for meetings of the Board, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair and the voting and non-voting assessors. The proposed agenda for a meeting, together with background documentation, is reviewed at an agenda planning meeting, usually scheduled ten to fourteen days prior to the Board meeting.

6. PROCEDURES (Cont'd)

6.2 Agenda (Cont'd)

Notwithstanding the usual procedure for establishing the agenda for meetings, matters may be added to the agenda of a current or subsequent meeting, as provided in sections 32 (d), (e) and (f) of By-Law Number 2, by: a vote of two thirds of the members present and voting to add a matter to the agenda of a meeting; a resolution to determine that a matter be included on the agenda of a subsequent meeting; a written request signed by at least 10% of the voting members and submitted at a meeting that a stated matter be included on the agenda of the next regular meeting; or a notice of motion approved by the Chair for inclusion on the agenda of a subsequent meeting.

6.3 Consent agenda

The Chair may determine that an item should be placed on a “consent” portion of the agenda. Those items are not given individual consideration by the Board, unless a member so requests. Rather, members with questions for clarification, or requests for further information, contact the assessor or other contact person shown on the item in advance of the meeting. Members with concerns who would like an item to be discussed by the Board should notify the Secretary at least 24 hours in advance of the meeting. Upon the request of any member, the matter will be considered by the Board in the usual manner.

Where a consent item requires a resolution of the Board, and where no member has requested consideration of the item in the usual manner, the motion will be placed before the Board and seconded, and it will normally immediately proceed to a vote without introduction or discussion.

Where a consent item is for information only, and where no member has requested consideration of the item in the usual manner, the item will normally be taken as received by the Board without introduction or discussion.

6.4 Additional reports for information

To keep members abreast of developments in a timely manner, certain reports for information required by these terms of reference and others as decided by the Chair from time to time will be considered by the members of the Board following their electronic publication. Members will be notified once the reports are made available. Members who have questions about a report will be invited to contact the sponsor of the item. Members with concerns about the report who would like it to be discussed by the Board should notify the Secretary at least fourteen days in advance of the next meeting to enable consideration by the agenda planning group. The report can then be considered by the Board at that meeting in the usual manner.

6. PROCEDURES (Cont'd)

6.5 Level of approval for matters coming before the Board

The Chair of the Board, with the advice of the Board's agenda planning group and subject to the duly established authority of the Executive Committee of Governing Council, has the authority to interpret the terms of reference of the Board with respect to whether an item should be placed on the Board's agenda for recommendation to the Governing Council, for approval, or for information and discussion.

Notwithstanding the above paragraph, where the Chair has determined that a matter is to come before the Board for approval, and prior to the adoption by the Board of a resolution to determine the matter, the Chair of the Governing Council, the Chair of the Board, the President or an administrative assessor acting for the President, or the Board itself, may, pursuant to section 31(d) of By-Law Number 2, determine that the matter is major in significance with respect to the University as a whole or with respect to the public or fiduciary responsibilities of the Governing Council, and the Chair of the Governing Council, the Chair of the Board, the President, assessor or Board, as the case may be, may require that the action of the Board be submitted to the Council for confirmation. Where a matter is referred to the Governing Council pursuant to this provision, the action taken by the Board shall not have effect unless confirmed by the Council.

This provision does not apply to actions taken by the Board under its delegated authority under section 31(b) of By-Law Number 2 to act on behalf of the Governing Council with respect to agreements with the teaching or administrative staff of the University concerning the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related compensation or that are negotiated in a collective fashion for a class or group of employees of the University.

6.6 Board and administrative responsibility

Given the nature of its responsibilities and the absence in the unicameral system of a collegial body with the statutory right to advise it, the Business Board normally exercises its powers (a) through judging proposals for policies, programs and major transactions brought forward by the President and the Board's assessors, and (b) through monitoring reports from those officers on matters within these terms of reference.

The Board will normally rely on the President and the Board's assessors to develop proposals and options for its consideration. The President's responsibility as Chief Executive Officer would oblige him/her or his/her colleagues to advise the Business Board on all issues within its terms of reference.

The Board will normally accept or reject proposals from the President or the appropriate administrative assessor(s) or refer them back for further consideration of a particular aspect(s). The Board will not normally amend proposals developed by the administration, apart from minor amendments (a) that do not contravene the sense of the original motion or negate it, and (b) that are accepted by the President or the appropriate assessor.

6. PROCEDURES (Cont'd)

6.6 Board and administrative responsibility (Cont'd)

The President or an assessor acting on the President's behalf will have the right to withdraw from consideration any proposal the administration has made for action, prior to a final vote being taken on the proposal or on an amended version of the proposal, subject to the Board's residual power to schedule an item for discussion or debate at a future meeting of the Board.

Similarly, in the event that a proposal is presented to the Board other than through an administrative recommendation, the President or appropriate assessor has the right to defer action until the next meeting of the Board.

Notwithstanding anything else in this clause 6.6, the Business Board will still possess the residual power of Governing Council to take any action deemed appropriate concerning a matter within its responsibility in some unforeseeable circumstance and to determine what matters of business should come before it.

June 13, 2002

August 8, 2007, (footnotes updated)

May 21, 2008, Section 5.1, "Financial policy and transactions" updated to include new provisions concerning the investment of University and pension plan funds.

June 24, 2010, Section 5.1, "Financial policy and transactions" amended to implement new arrangements for the oversight of investments.

October 28, 2010, Sections 3.1 and 5.1 amended to take into account the establishment of the Pension Committee and the delegation of certain previous Business Board responsibilities to that Committee.

October 27, 2011, various amendments arising from recommendations of the Implementation Committee for the Report of the Task Force on Governance.

February 16, 2012 – Section 1.1 amended to enable the President's appointment of 3 voting administrative assessors.

June 23, 2016 – Section 5.1 (c) amended to change the Investment Advisory Committee to the Investment Committee, and to add a footnote describing the role of the Investment Committee as a committee of university management.

University of Toronto

Investment Committee

Terms of Reference

Preamble

The University of Toronto is responsible for investment of university funds and for investment of the assets of its registered pension plan. University funds are invested primarily through two unitized investment pools: the long-term capital appreciation pool (LTCAP) and the expendable funds investment pool (EFIP). The assets of the registered pension plan are invested in the unitized pension master trust (PMT).

Such of the funds invested in LTCAP, EFIP and/or PMT that the University desires to have invested by the University of Toronto Asset Management Corporation (“UTAM”), together with a small number of specifically invested funds, are invested on behalf of the University in accordance with the Delegation of Authority from the Business Board to UTAM. UTAM, which was formed in April 2000, is a separate non-share capital corporation. The UTAM Board is responsible for the direction and oversight of UTAM management from a corporate perspective.

“President” as referred to herein shall mean the President of the University of Toronto. For clarity, these Terms of Reference are intended as a summary and guide, and are subject to the relevant terms of the Business Board Terms of Reference, the Delegation of Authority, the Pension Committee Terms of Reference, and any other foundational University document or policy as such may exist from time to time.

Purpose of the Investment Committee (IC)

The IC is responsible for interacting with the UTAM Board and, as required, with the management staff of UTAM to convey the President’s views and instructions, and to act on the President’s behalf regarding relevant investment-related activities that are within the authority of the President. It is constituted so as to have significant expertise and the President and the UTAM Board have agreed that it can provide direct input to UTAM staff as they carry out their duties. For clarity, the IC is a committee of University management, not a committee of governance.

The IC reports to the President of the University and provides expert advice to the University Administration, collaborating extensively with the University Administration and with UTAM management staff on investment objectives and investment activities. The President and the UTAM Board have agreed that, consistent with the foregoing, the IC approves proposals from UTAM management staff for execution of investment strategy, and provides monitoring and oversight of investment performance, as more specifically described below.

Work of the Investment Committee

The IC:

- Recommends Investment Risk and Return Objectives to the University Administration.
- Recommends Investment Strategy to the University Administration for PMT and LTCAP.
- Approves various elements of Strategy Execution proposed by UTAM management.
- Provides on-going oversight of Strategy Execution by UTAM management.
- Monitors investment performance.
- Provides input into the hiring, compensation, and performance assessment of UTAM’s senior management team (“SMT”).
- Provides reports and attends meetings of the Pension Committee and Business Board at which investment matters are discussed via the Chair or one of the Co-Chairs of the committee, or a designate.

IC responsibilities take place within the following overall framework for investment policy, strategy, execution, oversight and monitoring:

Investment Risk and Return Objectives	The IC recommends investment risk and return objectives to the University Administration. Its concurrence will be sought by the President in proposing risk and return targets which are then put forward for approval by Governance. These objectives are embedded in the University Funds Investment Policy (university funds) or the Pension Statement of Investment Policies and Procedures (SIPP) (PMT), and approved by the Business Board (university funds) or the Pension Committee (PMT).
Investment Strategy	The investment strategy for PMT and LTCAP is reflected in the Reference Portfolio (also sometimes referred to as the Policy Portfolio), which defines both the policy asset mix and the benchmark portfolio with respect to passive investing. The Reference Portfolio is jointly developed by UTAM management and the IC and recommended by the IC to the University Administration for approval. In the case of the PMT, once approved by the University Administration, it is embedded in the SIPP and approved by the Pension Committee. In addition to the Reference Portfolio, the Investment Strategy for PMT and LTCAP includes, inter alia, limits with respect to risk, allocation ranges, currency exposures, and liquidity. Taken together, these limits are viewed as being sufficiently large to permit UTAM management the flexibility to achieve its value-added objective but not so large as to put the portfolios at undue risk of significant underperformance relative to the Reference Portfolio. In the case of the PMT, these limits are also included in the SIPP for approval by the Pension Committee.
Strategy Execution and Oversight	<p>Strategy execution has been delegated to UTAM. However, as agreed by the President and the UTAM Board, the IC will provide on-going oversight of strategy execution and must approve various elements of strategy execution.</p> <p>Elements of strategy execution requiring IC approval and oversight include, but are not limited to:</p> <ul style="list-style-type: none"> • Allowable active management programs, including, but not limited to, public equities, public fixed income (including bond repurchase

	<p>agreements), private markets, absolute return hedge funds and alternative credit. Each approved program will include a range for the allowable number of third party managers to be engaged and a limit on the maximum dollar allocation permitted to any one manager without prior IC approval.</p> <ul style="list-style-type: none"> • Asset class or currency deviations from the Reference Portfolio within the Investment Strategy limits but beyond IC approved levels. <p>Elements of strategy execution requiring IC oversight and/or involvement include, but are not limited to:</p> <ul style="list-style-type: none"> • Manager selection due diligence processes. • Manager monitoring and review processes. • Risk management and investment compliance processes. • Providing input to the UTAM Board regarding the hiring, compensation, and ongoing performance assessment of UTAM’s SMT.
Monitoring	<p>Investment performance is monitored by UTAM and the IC and reported jointly by UTAM management and the IC to the University Administration, and to the Business Board and the Pension Committee, through regular reporting to these various groups. Reporting for PMT and LTCAP includes current period and multi-year comparisons of actual performance relative to both the university and pension fund target returns and risk limits, and to the Reference Portfolio’s returns and risk limits. Reporting for EFIP includes current period and multi-year comparisons of actual performance relative to target returns and risk limits.</p>

Composition of the Committee

Total voting membership of the IC is a minimum of 4 and a maximum of seven members which the IC can increase by one member with unanimous consent of IC voting members. Members will be selected for appointment based on their expertise in investment management, particularly of portfolios similar in size and breadth of diversification to the university and pension funds. Fifty percent of members constitute a quorum for meetings. The following will be ex officio, non-voting observers to the IC and shall have the right to attend all meetings.

The President of the University of Toronto

The Chief Financial Officer of the University of Toronto

The Chair of the UTAM Board

Voting members of the IC are appointed by the President of the University for a two year term, serve at the President’s pleasure, and may be asked to serve additional terms, at the discretion of the President. The initial committee will be selected for a mix of one and two-year terms to provide for some orderly turnover.

The President will select a Chair, or Co-Chairs, from among its members, who will chair the meetings. If the Chair/Co-Chairs are unable to attend, the President will select an alternate from among those attending.

Confidentiality

In executing its mandate, members of the IC may receive information defined under UTAM's policies to be Confidential Information, or generally and reasonably understood to be such in view of the nature of the information, including its competitive, proprietary, commercial or scientific nature. As such, appointees to the IC must agree to abide by UTAM's policies related to the handling of such information and attest upon appointment and annually thereafter, as well as to act prudently to protect Confidential Information whether pursuant to UTAM's policies or general standards reasonably applicable to such information. This will be administered by UTAM's Chief Compliance Officer. Without limiting the generality of the foregoing, the members of the IC must maintain Confidential Information in confidence, and must not use it in any way for their personal or business interests, consistent with the Conflict of Interest provisions below.

Conflicts of Interest

Upon consideration of appointment to the IC, personal and professional interests that may pose actual or potential conflicts of interest must be disclosed to the President. Upon appointment, and annually thereafter, IC members must disclose actual and potential conflicts of interest to the Chair or Co-Chairs and also to the President. Additionally, if specific matters under consideration by the IC give rise to actual or potential conflicts of interest these must be disclosed to the Chair or Co-Chairs prior to the consideration of such matters. The Chair or Co-Chairs will consider whether, in view of a conflict that cannot be managed in some other way, it is necessary for a member of the IC to recuse him or herself from the discussion(s).

The Chair or Co-Chairs will provide reporting on actual or potential conflicts of interest to UTAM's Chief Compliance Officer, and also to the President.

For the purpose of these Terms of Reference, a conflict of interest shall be defined as any situation where the obligation to act exclusively in the best interests of UTAM and the University, and the corresponding best interests of the beneficiaries of any of the invested funds, conflicts, or may reasonably be perceived to conflict, with the personal interests (which term includes business interests) of the member of the IC or the member's close personal relations. For clarity, even in a situation where a member of the IC is not sure whether a particular situation may constitute a conflict of interest as defined, he or she must disclose it and seek guidance. For additional clarity, this obligation to disclose and avoid conflicts of interest includes conflicts of interest defined under UTAM's policies as they may exist from time to time.

Advisory Activities

The mandate of the IC is not intended to be so broad as to constitute undertaking advisory activities which would require registration of individuals under securities regulations. UTAM's Chief Compliance Officer will monitor actual activities undertaken to ensure that this is the case

Committee meetings

The IC will initially meet monthly. Frequency of meetings will be evaluated by the committee on an annual basis. The IC may form subcommittees to consider specific matters. Matters for consideration by the IC will be brought forward by the University Administration, by UTAM management, or by members of the IC. Members of UTAM's SMT will generally attend IC meetings but the committee will also meet without UTAM management present.

Approved May 20, 2016

What are the key documents?

Investment policy for university funds: contains risk tolerance and investment return targets for LTCAP and EFIP. Approved by the Business Board.

Pension Statement of Investment Policies and Procedures (SIPP): contains investment return targets, risk tolerance, policy asset allocation, restrictions, and other elements prescribed by pension legislation and regulation. Approved by the Pension Committee.

Business Board terms of reference: specifies the involvement of the Business Board in investment matters, including approval of risk tolerance and investment return targets for university funds, delegation of investment strategy and execution to the President of the University, and monitoring and oversight of both university and pension investments. Approved by Governing Council.

Pension Committee terms of reference: specifies the involvement of the Pension Committee in pension investment matters including monitoring and oversight of pension investments and approval of investment return targets, risk tolerance, policy asset allocation, and other restrictions. Approved by Governing Council.

Delegation of Authority to UTAM: delegation by the University to UTAM to review the risk tolerance and investment return targets for university funds and PMT. In addition, UTAM develops and proposes the policy asset allocation (i.e. the Reference Portfolio) and implements investment strategy. The activities just described are jointly completed by UTAM and the Investment Committee. The Delegation of Authority allows UTAM to act as agent on behalf of the University for relevant investment matters. Approved by the Business Board.

Investment Management Agreement: between the University and UTAM and which outlines the specifics of the investment mandate and the operational working relationship, including accountabilities, services the University provides to UTAM, and what activities UTAM undertakes. Agreed between the University administration and UTAM.

UTAM by-law: outlines the purpose, duties and responsibilities of UTAM, of its board and its officers. Approved by Business Board. Certain clauses can be independently modified by the UTAM Board.

UTAM Board terms of reference: using the UTAM by-law as its reference, outlines the regular responsibilities of the UTAM Board. To be proposed by the University Administration and accepted by the UTAM Board.

Investment Committee terms of reference: outlines the responsibilities of the Investment Committee and how it relates to the UTAM Board and University management and governance. The terms of reference are approved by the President of the University.

This brochure provides a summary of investment activities and approvals. In the event of any discrepancies between this brochure and the formal documents, the formal documents prevail.

An Example of Decision Making in Practice: The Reference Portfolio

The investment strategy for PMT and LTCAP is reflected in the Reference Portfolio (also sometimes referred to as the Policy Portfolio), which defines both the policy asset mix and the benchmark portfolio against which to compare an active management approach. The Reference Portfolio represents a “shadow” portfolio which is believed to be appropriate to the long-term horizon and associated risk tolerance of the PMT and LTCAP portfolios. The principle underlying the composition of the Reference Portfolio requires exposures which are low-cost, simple, passive, and appropriate to the requirements of the University. By design, the Reference Portfolio is not exposed to active management investment decisions and thus is expected to be reviewed only periodically.

The Reference Portfolio is jointly developed by UTAM Management and the Investment Committee and proposed by the Investment Committee to the University Administration for approval. In the case of PMT, once approved by the University Administration, it is embedded in the SIPP and approved by the Pension Committee. The current Reference Portfolio is shown below¹.

¹This is the Reference Portfolio that is being proposed to the Pension Committee on June 8, 2016.

REFERENCE PORTFOLIO AND BENCHMARKS		
	Reference Portfolio	Benchmark Index
	%	
Equity:		
Canadian	10	S&P TSX Composite Total Return Index
US	20	S&P 500 Total Return Index
EAFE	15	MSCI EAFE Total Return Index (Net)
EM	10	MSCI Emerging Markets Total Return Index (Net)
Global	5	MSCI All Country World Index (Net)
Total	60	
Credit:	20	FTSE TMX Canada All Corporate Bond Total Return Index
Rates:	20	FTSE TMX Canada All Government Bond Total Return Index
Other:	0	
	100	
Unhedged FX Exposure:	32.5	

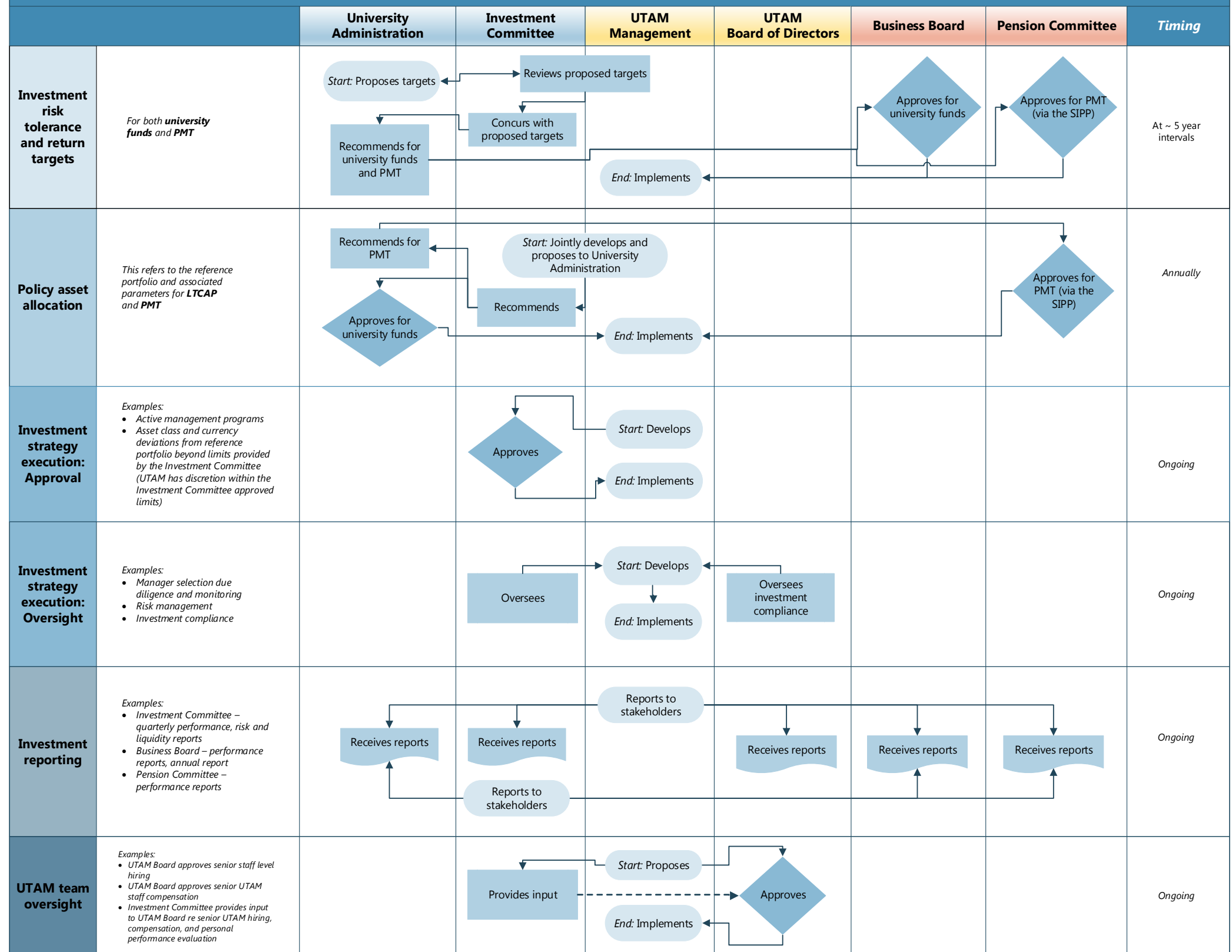


UNIVERSITY OF
TORONTO

Investments Who Does What? June 2016

Note: Certain of the explanations provided herein refer to processes that are currently subject to approval.

How are investment decisions made, what are they and who makes them? Who provides oversight of investment activities?



What funds are invested?

University funds:

- Long term capital appreciation pool (LTCAP) – mostly endowments
- Expendable funds investment pool (EFIP) – operating, capital, and ancillary funds, donations, unspent research grants
- A small number of specifically invested funds

Pension funds:

University of Toronto pension plan invested in the Pension Master Trust (PMT)

University funds and PMT have different approval processes but in other respects the LTCAP and PMT are mostly managed together (although the funds are maintained separately)

Who are the participants in the investment process?

University management:

- University Administration (President and designates)
- Investment Committee (members appointed by the President)

Investment manager:

(members appointed by University of Toronto)

- University of Toronto Asset Management Corporation (UTAM)
- UTAM Board of Directors
- UTAM Management

University governance:

- Business Board
- Pension Committee

Refer to the 'What are the key documents?' information overleaf for a summary of the mandate, role and authority of each of these participants

Additional Notes: University Administration works together with UTAM staff on operational matters. The President and CFO of the University are directors and members of UTAM, and are Investment Committee observers. The President appoints members of the Investment Committee and has delegated certain investment functions to the Investment Committee as per the Investment Committee terms of reference.