



**FOR ENSORSEMENT &
FORWARDING**

PUBLIC

CLOSED SESSION

TO: Executive Committee

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

DATE: January 30, 2017 for February 6, 2017

AGENDA ITEM: 5 (c.)

ITEM IDENTIFICATION:

Revision to the Pension Committee *Terms of Reference*

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, including the need for some housekeeping-related changes.

GOVERNANCE PATH:

1. Pension Committee [for information] (December 14, 2016)
2. **Executive Committee [for endorsement & forwarding] (February 6, 2017)**
3. Governing Council [for approval] (February 15, 2017)

PREVIOUS ACTION TAKEN:

Governing Council approved the establishment of a Pension Committee, as a Committee with delegated authority from the Governing Council and reporting to the Governing Council, and the Pension Committee *Terms of Reference*, at its meeting held on October 28, 2010.

No revision of the *Terms of Reference* has occurred since October 28, 2010.

HIGHLIGHTS:

The proposal for the establishment of a new Pension Committee had been recommended for approval by the Business Board in 2010. The proposal emerged from negotiations with the University of Toronto Faculty Association (UTFA), including an award from an arbitrator. There

were also discussions with unions representing administrative staff and with members of the non-union staff, as well as other, consultations.

As per Section 4 of the *Terms of Reference*, the Committee assumed the Governing Council's responsibility as legal administrator of two (2) registered pension plans: the University of Toronto Pension Plan and the University of Toronto (OISE) Pension Plan. The two registered plans, as well as the Supplemental Retirement Arrangement (S.R.A.), are collectively referred to as the "pension plans" or "plans" in the current *Terms of Reference*.

At the Pension Committee meeting held on March 16, 2016, Ms Brown, Chief Financial Officer, reported that the merger of the OISE Pension Plan with the University of Toronto Pension Plan had been formally approved by Financial Services Commission of Ontario. The effective date of the merger was July 1st, 2014; the date was based on the originally filed evaluation. The assets were transferred from the OISE plan to the U of T plan on June 30, 2016.

The proposed revisions to the *Terms of Reference* is a 'housekeeping' matter intended to reflect the merging of the two registered "Plans".

No other revisions are proposed.

FINANCIAL IMPLICATIONS:

There are no financial implications.

RECOMMENDATION:

Be It Resolved

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

THAT the proposed revised Pension Committee *Terms of Reference* be approved, effective immediately, replacing the *Terms of Reference* previously approved on October 28, 2010.

DOCUMENTATION PROVIDED:

- Pension Committee *Terms of Reference* (track changes version)
- Pension Committee *Terms of Reference* (proposed final version)



PROPOSED REVISIONS – MARKED COPY
PENSION COMMITTEE
TERMS OF REFERENCE

1. MEMBERSHIP

1.1 Composition

Total membership is 20, including:

- 11 members of the Governing Council, appointed from amongst those members of Council elected to Council by the alumni or appointed to Council by the Lieutenant Governor in Council;
- 4 members appointed on the recommendation of the University of Toronto Faculty Association;
- 1 retired member of the teaching staff or retired librarian, who is a member of a one of the University's registered pension plans, appointed on the recommendation of the University of Toronto Faculty Association; and
- 4 members, 3 of whom would be appointed on the recommendation of the unionized administrative-staff groups and 1 of whom would be appointed on the recommendation of the non-unionized administrative-staff plan members.

It is expected that all members of the Committee will have a reasonable level of knowledge of matters related to the pension plans and pension matters in general.

In addition, the Chairman and Vice-Chairman of the Governing Council, the President, and the Chancellor are *ex officio* voting members of all Standing and Special Committees of the Governing Council. No more than 11 Governing Council appointed members shall be voting members at a meeting.

1.2 Non-Voting Assessors¹

Up to 3 senior members of the University administration with expertise in pensions and/or financial matters, as nominated by the President, and approved by the Committee, will serve as non-voting assessors reporting to the Committee.

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¹ The Report of the Chairman's Advisory Committee on Governance (the "Balfour Report") approved by the Governing Council on May 19, 1988, states that "the duties of the President with respect to the work of Governing Council and its committees are discharged in part by other senior officers of the University acting for the President. In this capacity they are collectively called 'Presidential assessors'." Normally, "where committee terms of reference explicitly provide membership for a specific number of assessors, they are voting members." Notwithstanding that provision, the assessors to the Pension Committee are non-voting members.

The duties of the non-voting assessors are described below in paragraph 9.4 of these terms of reference - fundamentally to bring forward proposals and reports for the Committee's consideration on matters within these terms of reference.

1.3 Term

Members are normally appointed for three year terms. They may be reappointed.

Terms begin on July 1 and continue to June 30.

1.4 Chair and Vice-Chair

The Chair and Vice-Chair are elected for two year terms. Each position will be occupied either by (a) a member of the Governing Council or (b) by another member of the Committee, provided that both positions are not filled by a member of either group (a) or (b). When the position of Chair or Vice-Chair is filled by a member of group (a) or group (b) for a particular term, that position shall be filled by a member of the other group for the next two-year term. Members of group (a) or (b), as applicable, are responsible for electing the Chair or Vice-Chair, as applicable.

The Committee shall have a Secretary who is not a member of the Committee. The Secretary shall keep minutes of meetings.

2. QUORUM

One half of the voting members of the Committee.

3. COMMITTEES

The Pension Committee has no standing subcommittees. However, the Pension Committee may establish and direct special committees or subcommittees, in both cases whose members are members of the Pension Committee.

4. FUNCTION

The Pension Committee is responsible for consideration of policy and for monitoring and oversight of matters affecting the administration of ~~the University's two registered pension plans: the University of Toronto Pension Plan and the University of Toronto (OISE) Pension Plan~~. The Committee is also responsible for consideration of policy and for monitoring and oversight of matters affecting the administration the Supplemental Retirement Arrangement (S.R.A.), apart from the investment of the assets set aside by the University to meet its liability under the S.R.A., which assets are invested as part of a larger pooled fund. For purposes of these terms of reference, the ~~two registered plans~~ and the S.R.A. shall collectively be referred to as the "pension plans" or "plans."

The Pension Committee is not responsible for recommending or determining the terms of the pension plans, including the benefits to be paid to the retired members of the pension plans, the contributions required from the active members of the plans to earn those benefits, and the groups of employees who are to be members of the plans. Such matters are determined through the University's usual processes including the budget process and, where applicable, collective bargaining or some similar process.

5. AREAS OF RESPONSIBILITY

The Pension Committee holds delegated authority to act for Governing Council in respect of the administration of the Plan except for matters:²

- (i) which Governing Council or its Business Board are required by statute to approve; or
- (ii) which are reserved to Governing Council or the Business Board 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 transactions in the normal course of business.

The authority of the Pension Committee in specific matters is as follows. The specific items below are intended to supplement, not limit, the general statements in section 4 above.

- review, approve, reject or refer back the recommendation for the appointment of the pension plan actuary and oversee the actuary's performance.
- review, approve, reject or refer back the actuarial valuation of the pension plans including approval of the actuarial assumptions and methodologies for the valuation, and any amendments thereto.
- on the recommendation of the Audit Committee, review, approve, reject or refer back the audited financial statements of the registered pension plans.
- review, approve, reject or refer back the terms of the delegation of authority to a University-controlled asset management corporation (or other entity established for a similar purpose) to manage the investment of the pension fund master trust and carry out oversight.
- review, approve, reject or refer back, at least annually, the Statement of Investment Policies and for the pension fund master trust and any amendments thereto. The Statement will include, without limitation: return objectives, normal risk tolerance, asset allocation, and benchmarks for the evaluation of performance,
- initiate, review, approve, reject or refer back a communication plan to enhance and facilitate communications of important features of the plans with members and former members of the plans.

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² 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.

The Business Board will receive for its information and review the annual financial report on the pension plans and the statement of investment policies and goals for the pension master trust. That Board is expected to give particular attention to their implications for the financial health of the University.

5. AREAS OF RESPONSIBILITY (Cont'd)

- review, approve, reject or refer back an annual financial report on the pension plans. The annual financial report shall include, without limitation:
 - Information on: the funded status of the plans; the plan liabilities and substantial changes thereto; the plan assets, including contributions and the investment performance of the pension fund master trust; and fees and expenses to be paid by the pension plans for the investment management of the pension fund master trust.
 - key excerpts from the actuarial valuations of the plans;
 - the audited financial statements of the registered pension plans; and
 - any other information of importance to the Pension Committee in the discharge of its duties, to the Business Board in its role with respect to the fiscal integrity of the University, and to the Governing Council in its role as plan administrator.
- reviews, at least semi-annually or more frequently if specified by the Committee, reports on the investment of the pension fund master trust. Such reports will include, among other things, reports on investment performance and risks being incurred.
- reviews and oversees, at least annually or more frequently if specified by the Committee, reports on matters affecting the administration of the pension plans.

6. STANDARD OF CARE

Members of the Committee bear a fiduciary responsibility to the members of the pension plans. In carrying out their responsibilities relating to the administration of the pension plans, members of the Pension Committee shall act with the care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person. In addition, each member shall use all relevant knowledge and skill that the member possesses, or, by reason of the members' profession, business or calling, ought to possess.

7. ORIENTATION, TRAINING AND ADVICE

An annual Pension Committee Orientation session shall be provided to Committee members, as shall such additional Committee training sessions as may be deemed useful by the Committee from time to time to enable members to carry out their fiduciary duties and to exercise an appropriate standard of care.

Such additional educational opportunities in pension and investment matters as may be requested by members of the Committee shall be provided as required.

The Pension Committee may from time to time determine a need for advice beyond that provided to the Committee in the normal course of business and in additional instances by the assessors, the pension fund actuaries, the pension funds' auditors, the University's legal counsel, and the investment manager. In such cases, the Committee may engage external consultants, with the cost being funded from the assets of the pension plans, provided that such costs would be proper administrative expenses to be charged to the funds.

8. CONFLICT OF INTEREST

The Committee shall develop and maintain a conflict-of-interest policy, having regard for Section 27 of Governing Council By-Law Number 2.

9. PROCEDURES

9.1 Meetings

The Committee usually meets in closed session. Where matters before the Committee are of a particularly confidential or sensitive nature, the Committee may, pursuant to section 33 of By-Law Number 2, meet *in camera*.

Reports of Committee meetings shall be made public, in the manner usual for reports of committees of the Governing Council. Matters considered *in camera* are not included in the Committee's public reports.

The Committee meets a minimum of four times per academic year. Any five (5) members of the Committee may call a special meeting of the Committee with seven (7) days' written notice to all members of the Committee.

Meetings may be held by teleconference or other means of electronic communication.

Each member of the Committee shall have one (1) vote, including the Chair and the Vice Chair. Decisions of the Committee shall be by majority vote. An equality of votes shall mean that the question is decided in the negative.

9.2 Confidentiality

The Committee shall develop and maintain a policy concerning confidentiality.

9.3 Agenda

In establishing the agenda for meetings of the Committee, the Chair will usually be advised by an agenda planning group that includes the Vice-Chair, the non-voting assessors and the Committee's secretary. Any member of the Committee may suggest an agenda item through the Chair. 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 Committee meeting.

9.4 Committee and administrative responsibility³

Given the nature of its responsibilities, the Committee exercises its oversight powers (a) through judging proposals brought forward by the Committee's assessors; (b) through monitoring reports from those assessors on matters within these terms of reference; and (c) through requesting proposals or reports to be brought forward by the Committee's assessors.

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

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

Approved by the Governing Council - October 28, 2010

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Approved by the Governing Council - October 28, 2010

Revisions Approved by the Governing Council - XXXX