

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 235 OF THE BUSINESS BOARD

Tuesday, October 10, 2017

To the Governing Council,
University of Toronto.

Your Board reports that it met on Tuesday, October 10, 2017 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Keith Thomas (Chair)
Brian Lawson (Vice-Chair)
Scott Mabury, Vice-President, University
Operations*
Kelly Hannah-Moffat, Vice-President,
Human Resources & Equity
Sheila Brown, Chief Financial Officer
Preet Banerjee
Robert G. Boeckner
Andrew Binkley*
David Bowden*
Harvey T. Botting
Catherine Bragg
P.C. Choo
Sara Gelgor
Gary D. Goldberg
Avrum Gotlieb
Sue Graham-Nutter
Ian Peter Hutson
Jan Mahrt-Smith
**participated via conference call*

Brian A. Miron
John Paul Morgan
Howard Shearer
Bruce Winter
Emili (Li) Zhang

Non-Voting Assessors:

Cheryl Regehr, Vice-President and Provost
David Palmer, Vice-President, Advancement
Gilbert Delgado, Chief, Planning, Design
and Construction
Trevor Rodgers, Executive Director,
Planning and Budget
Susan Senese, Interim Chief Administrative
Officer, University of Toronto Mississauga
(UTM)

Secretariat:

Anwar Kazimi, Deputy Secretary of the
Governing Council
Patrick F. McNeill, Secretary

Regrets:

Mark Krembil
Mala Kashyap
Chris Thatcher

In Attendance:

Doug Chau, Chief Risk Officer, Head of Research, University of Toronto Asset Management Corporation (UTAM)
Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Rosalyn Figov, Director, Operations and Finance, Office of the Vice-President
Human Resources and Equity
Anthony Gray, Special Advisor to the President
Leon Lu, Portfolio Manager, Investments, UTAM
Gillian Morrison, Assistant Vice President, Divisional Relations and Campaigns

In Attendance continued:

Chuck O'Reilly, Senior Portfolio Manager, Investments, UTAM

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

Daren Smith, President and Chief Investment Officer, UTAM
Ivan Siew, Director, Risk and Research, UTAM

ITEM 7 IS RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL.
IN CAMERA ITEMS 19 AND 21 WERE APPROVED. ALL OTHER ITEMS ARE
REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

*Pursuant to section 33(i) of By-Law Number 2,
items 17-22 were considered in camera.*

OPEN SESSION

1. Chair's Remarks

The Chair welcomed members and guests to the meeting.

2. Approvals Under Summer Executive Authority

The Chair reported that there were no approvals under summer executive authority within the purview of the Business Board.

3. Calendar of Business, 2017-18

The Chair noted that the Calendar of Business, which was organized thematically so that related items of business could be brought to the same meeting, would be updated on-line every Friday.

MAIN THEME: INVESTMENTS AND THE ENDOWMENT

4. Investments: Semi-Annual Update on Investment Performance to June 30, 2017

Ms Brown reported that there were three pools of funds that UTAM manages: the expendable funds investment pool (EFIP) which included operating, ancillary, expendable donations, capital and research funds; a long-term capital appreciation pool (LTCAP), which included funds invested for the long-term, including, predominantly endowments, and; the Pension Master Trust (PMT or Pension). Each investment pool had its own risk profile, target return and investment strategy. She also noted that EFIP and LTCAP had a May to April fiscal year, and that the PMT had a July to June fiscal year. All funds were under the management of the University of Toronto Asset Management Corporation (UTAM), which itself had a January to December fiscal year.

Mr. Smith proceeded to offer a [presentation](#) highlighting the following key points related to investment performance for LTCAP, EFIP and Pension for periods ending June 30, 2017:

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

- Over the first half of the calendar year, LTCAP and Pension assets returned 6.0%, while EFIP returned 0.8%;
- On a year-to-date basis, all portfolios outperformed Target returns (LTCAP and Pension outperformed by 3.6% and EFIP outperformed by 0.4%);
- On a year-to-date basis, favourable capital markets resulted in Reference Portfolio returns for LTCAP and Pension that were 3.4% higher than the University's Target returns for LTCAP and Pension;
- UTAM had added value over the Reference Portfolio for LTCAP and Pension on a YTD, 5-year and 10-year basis.
- All asset class exposures were within allowable bands at the end of June 2017;
- Active Risk for LTCAP and Pension remained well within the "Normal" Zone (-50 bps to 100 bps) at the end of June 2017.

Over the last 5 years, UTAM value added of 2.1% for LTCAP and 2.0% for Pension equated to over \$550 million. Mr. Smith noted that these returns were generated by UTAM while managing the portfolios in accordance with university constraints.

Members asked questions regarding fees and expenses; foreign exchange hedging and related currency exposures; and the University's investment return strategies.

In response, Mr. Smith and Ms Brown stated the following:

- all performance numbers were net of all investment fees and expenses, including UTAM costs;
- the Reference Portfolio for LTCAP and Pension included a 50% currency hedge for US equities and International developed equities (EAFE) and no hedge for all other asset classes;
- UTAM employed a "manager of managers" investment model whereby it invested with managers as opposed to buying and selling individual assets (e.g. bonds and stocks) itself;
- The LTCAP and Pension target returns are 4% and inflation and investment strategy that targets this level of return must assume various investment risks.

The Chair thanked Mr. Smith and his team for their report.

5. Endowment Annual Financial Report for the Year ended April 30, 2017

Ms Brown noted that this annual report, prepared primarily for major donors, summarized the financial status of endowments collectively. She reported that the increase in the total value of endowments resulted mostly from an investment return of 15.4% for the 2016-17 year, net of investment fees and expenses, as compared to an investment return of -0.3% for 2015-16, also net of investment fees and expenses.

In accordance with the University's *Preservation of Capital Policy*, Ms Brown stated that the strategy was not to spend everything earned through the investment of funds in years when investment markets

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

were good. In favourable years, such as 2016-17, funds in excess of the spending allocation were set aside and re-invested to provide a reserve to fund the spending allocation in years, such as 2015-16, when investment markets were poor.

In response to a member's comment, Mr. Palmer stated that the University would consider a section on 'responsible investing' in future reports; he expressed appreciation for the suggestion.

There were no other questions from members.

OTHER ITEMS

6. Health and Safety: Quarterly Reports on Compliance

a) **April 1, 2017 – June 30, 2017**

b) **July 1, 2017 – September 30, 2017**

Professor Hannah-Moffat presented two quarterly reports on compliance. She stated that no orders were issued regarding the visits made by the Ministry of Labour.

In response to a question, Professor Hannah-Moffat explained that visits by the Ministry of Labour could be in response to a filed complaint or a reported incident.

The Reports were received by the Board for information.

7. Revisions: *Workplace Harassment Policy* and *Workplace Violence Policy*

Professor Hannah-Moffat stated that the amendments added specific references to the *Policy on Sexual Violence and Sexual Harassment* and the Sexual Violence and Prevention Centre in both the *Policy with Respect to Workplace Harassment* and *Policy with Respect to Workplace Violence*; and ensured compliance with legislative amendments.

Based on a comment by a member, the VPHRE would reference the *Criminal Code* as one of the links provided under the '*Related Documents*' section contained in the two policies.

On motion duly moved, seconded and carried

YOUR BOARD RECOMMENDS

THAT the amendments to the *Policy with Respect to Workplace Harassment* (dated May 13, 2010 and amended September 8, 2016) and *Policy with Respect to Workplace Violence* (dated May 13, 2010) be approved, effective immediately.

8. Report on Capital Projects as of September 15, 2017

The Report on Capital Projects as of September 15, 2017 was received for information.

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017**9. Reports of the Administrative Assessors**Enrolment Report

Professor Mabury reported that no final enrolment numbers were available but that initial indicators of undergraduate enrolment were almost equal to target on a net basis: 900 fewer domestic students, and 800 more international students and 300 additional graduate students. Early graduate enrolment results indicated growth of approximately 300 graduate student spaces over the previous year.

Lab Innovation for Toronto (LIFT) Project

Professor Mabury provided members with an update on the Lab Innovation for Toronto (LIFT) project – over 50 individual projects had been tendered on all three campuses. The University had continued to keep track of progress of the entire project to ensure that time-lines were being met. He was confident that the University would meet its commitment for funding and completion deadline of April 30, 2018.

Strategic Mandate Agreement II (SMA2)

Professor Regehr stated that agreement would cover the period 2017-2020 and would build on the differentiation theme that had begun with the first agreement – the primary method of differentiation in SMA1 was the allocation of graduate student spaces. The Provost reported that the Ministry of Advanced Education and Skills Development (MAESD) had recently announced that UofT would receive funding for growth of up to 631 master's and 198 doctoral spaces over Fall 2016 – this allocation reflected the Province's confidence in UofT. The University expected final confirmation from MAESD on remaining SMA2 commitments in time for publication of its SMA2 in mid-November.

University-Mandated Leave of Absence Policy

Professor Regehr advised the Board that based on one of the recommendations of the Ombudsperson Annual Report 2014-15, a draft *University-Mandated Leave of Absence Policy* was under development. She explained that the focus of the draft *Policy* was to provide a mechanism whereby a student may be placed on a university-mandated leave of absence where, due primarily to mental health considerations, the student posed a risk of serious harm to themselves or others, or the significant impairment of the educational experience of others, or was otherwise unable to pursue their education at the University. The Provost stated that a comprehensive consultation process had been undertaken with feedback sought in Cycle 1 at the two Campus Councils, the Academic Board and the University Affairs Board. The final proposed *Policy* would be brought forward for approval in Cycle 2.

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

OPEN SESSION CONSENT AGENDA

On motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

10. Reports of the Previous Meetings

- a. Report number 233, from the meeting of June 15, 2017, was approved.
- b. Report Number 234, of the Special Meeting, July 24, 2017 was approved.

11. Business Arising from the Reports of the Previous Meetings

There was no business arising from the reports of the previous meetings.

12. Report number 124 of the Audit Committee – June 14, 2017

Report number 124 of the Audit Committee, June 14, 2017, was received for information.

13. Status Report on Debt to September 30, 2017

The Status Report on Debt to September 30, 2017 was received for information

14. Credit Report: Dominion Bond Rating Service (DBRS)

The report was received for information.

CLOSING ADMINISTRATIVE MATTERS

15. Other Business

The Chair stated that the Business Board had a Striking Committee with the responsibility to recommend to the Board appointed, non-Governing Council members of the Board and the Audit Committee. He informed members that a call for expressions of interest to serve on the Board's Striking Committee would be issued by the Secretary.

No other business was raised.

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

16. Date of the Next Meeting – Monday, November 27, 2017

The Chair advised members that the next meeting would be November 27, 2017.

IN CAMERA SESSION

The Board moved In Camera

17. In Camera Reports of the Administrative Assessors (oral reports)

Professor Hannah-Moffat and Ms Brown updated the Board on recent developments concerning Jointly Sponsored Pension Plans and provincial initiatives.

Professors Mabury and Hannah-Moffat reported on the industrial accident which occurred on September 8th, 2017 at the construction site of the new Centre for Engineering Innovation and Entrepreneurship.

There were no other reports of the administrative assessors.

18. Quarterly List of Donations of \$250,000 or more to the University of Toronto – May 1, 2017 to July 31, 2017

The Quarterly Report was received by the Board for information.

19. Capital Project: W.G. Davis Building Renovation, Phase 2 (Meeting Place) at the University of Toronto Mississauga – Execution of Project

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Scott Mabury, Vice-President of University Operations, as outlined in the memorandum dated September 28, 2017, regarding the execution of project for the W.G. Davis Building Renovation, Phase 2 (Meeting Place) at the University of Toronto Mississauga.

20. Collective Agreements:

- a) **University of Toronto and the United Steelworkers (USW) Local 1998, Staff Appointed, July 1, 2017 to June 30 2020**
- b) **University of Toronto and the Canadian Union of Public Employees (CUPE) Local 3261, Full-Time & Part-Time, July 1, 2017 to June 30, 2020**
- c) **University of Toronto and the Canadian Union of Public Employees (CUPE) Local 3261, Casual, July 1 2017 to June 30, 2020**

The collective agreements were received by the Board for information.

REPORT NUMBER 235 OF THE BUSINESS BOARD – Tuesday, October 10, 2017

21. Compensation Increases for Professional, Managerial and Confidential Staff; Advancement Professionals; Senior Research Associates and Research Associates

On motion duly made, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Meric Gertler, President, as outlined in the memorandum dated September 22, 2017, regarding compensation increases for Professional, Managerial and Confidential Staff, Advancement Professionals and Senior Research Associates/Research Associates.

22. Property Acquisition

The Chair reported out that, on July 28, 2017, the Business Board approved via electronic ballot, the authorization to the Vice President, University Operations to negotiate the final agreement and conditions for the acquisition of the Centre for Addiction and Mental Health (CAMH) Lands at 250 and 252 College Street and 33 Russell Street, Toronto.

Professor Mabury updated the Board on the acquisition.

The Board returned to open session.

The meeting adjourned at 6:59 p.m.

Secretary

Chair

October 11, 2017