

UNIVERSITY OF TORONTO  
THE GOVERNING COUNCIL

**REPORT NUMBER 240 OF THE BUSINESS BOARD**  
**Monday, April 23, 2018**

To the Governing Council,  
University of Toronto.

Your Board reports that it met on Monday, April 23, 2018 at 5:00 p.m. in the Dean's Conference Room (No. 2317), Medical Science Building, 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 and Equity\*  
Preet Banerjee\*  
Andrew Binkley  
Catherine Bragg  
Robert G. Boeckner  
David Bowden  
Sara Gelgor  
Gary D. Goldberg  
Sue Graham-Nutter  
Ian Peter Hutson  
Mark Krembil\*  
Jan Mahrt-Smith\*  
Brian A. Miron  
John Paul Morgan  
Bruce Winter  
Emeli (Li) Zhang

**Non-Voting Assessors:**

Anne Macdonald, Executive Director, Ancillary  
Services  
Trevor Rodgers, Executive Director,  
Planning and Budget  
Susan Senese, Interim Chief Administrative  
Officer, UTM

**Secretariat:**

Patrick F. McNeill, Secretary

*\*participated via conference call for open  
session*

**Regrets:**

Harvey T. Botting  
Sheila Brown  
P.C. Choo  
Avrum Gotlieb  
Mala Kashyap  
Chris Thatcher

**In Attendance:**

Lisa Becker, Chief Operating Officer and Chief Compliance Officer, University of Toronto Asset

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Management Corporation (UTAM)  
Althea Blackburn-Evans, Interim Executive Director, Communications Partnerships  
Doug Chau, Chief Risk Officer, Head of Research, UTAM  
Leon Lu, Portfolio Manager, Investments, UTAM  
Yasir Mallick, Portfolio Manager, Investments, UTAM  
Daren Smith, President and Chief Investment Officer, UTAM

ITEMS 1, 3 AND 5 WERE APPROVED. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

*Pursuant to section 33(i) of By-Law Number 2,  
items 1 and 11 were considered in camera.*

**OPEN SESSION**

**Chair's Remarks**

The Chair welcomed members to the meeting. The members agreed to an amendment of the agenda to consider a new Collective Agreement under *In Camera* Item 1 and to move the *In Camera Reports of the Administrative Assessors* to *In Camera* Item 11.

**THE BOARD MOVED *IN CAMERA***

**1. Collective Agreement: University of Toronto and CUPE Local 3261 - 89 Chestnut Unit (April 18, 2018 – December 31, 2020)**

On motion duly moved, seconded and carried

IT WAS RESOLVED

THAT the Collective Agreement between the University of Toronto and CUPE Local 3261 - 89 Chestnut Unit (April 18, 2018 – December 31, 2020), as described in a Memorandum dated April 20, 2018 from Professor Kelly Hannah-Moffat, Vice-President, Human Resources and Equity, be approved.

**THE BOARD RETURNED TO OPEN SESSION**

The Chair welcomed guests to the meeting.

**2. University of Toronto Asset Management Corporation: Annual Report and Financial Statements, 2017**

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The Chair stated that under the Business Board's *Terms of Reference* it was responsible for approval of the investment risk and return targets for University funds, but not for Pension funds, which were approved by the Pension Committee together with the asset allocation and other elements required to be included in the *Pension Statement of Investment Policies and Procedures*. Asset allocation and other elements of investment strategy for University funds were delegated to the President.

The Business Board was responsible for reviewing annual reports for both University and Pension funds which included information on asset allocation, an example of which was the *UTAM Annual Report*.

Mr. Smith introduced members of his team and presented the *UTAM Annual Report and Financial Statements, 2017*. He noted that the Report continued to be updated from the previous year's Report to provide additional transparency to facilitate a greater understanding of what went into generating the investment returns. The report had also paid particular focus on the people at UTAM, governance and other processes that were followed, including responsible investing activities.

Mr. Smith's presentation highlighted the following: actual returns versus University target returns over three time periods (1 year, 5 years and 10 years); Reference Portfolio returns versus University target returns; actual returns versus Reference Portfolio returns (UTAM value added); the current asset allocation and limits; and actual risk versus reference portfolio risk (volatility).

Mr. Smith reported that the investments managed by UTAM (\$9.9 billion as of December 31, 2017) on behalf of the University realized strong returns in 2017. The Pension and Endowment portfolios both generated a return of 12.4% (net of all fees and expenses). This was significantly above the University's target return of 5.8% and exceeded the Reference Portfolio return of 11.4%. The Expendable Funds Investment Pool (EFIP) returned 1.5%, which exceeded the University's target return by 0.8%.

Mr. Smith further provided a summary of the investment performance noting the following:

- For the one-year ended December 31, 2017, the target nominal investment return (real return plus inflation) net of fees and expenses was 5.8% (2016 – 5.5%);
- Actual nominal investment return for the Pension Master Trust (PMT) was 12.4% (2016 – 7.1%) for the year and for Long-term Capital Appreciation Pool (LTCAP) it was 12.4% (2016 – 7.1%);
- The nominal investment return for the Reference Portfolio was 11.4% (2016 – 7.2%);
- For the PMT the actual return earned by UTAM exceeded the Reference Portfolio return by 1.0% (12.4% - 11.4%) and exceeded the target return by 6.6% (12.4% - 5.8%);
- For LTCAP, the actual return earned by UTAM exceeded the Reference Portfolio return by 0.9% (12.4% - 11.4%) and exceeded the target return by 6.6% (12.4% - 5.8%);
- For 2017, the target return for the Expendable Funds Investment Pool (EFIP) was 0.8% and the actual return was 1.5%; and

**University of Toronto Asset Management Corporation: Annual Report and Financial Statements, 2017 continued:**

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- For 2017, UTAM’s active management added value in the amount of \$68 million for the two portfolios combined – for the five-year period ending December 31, 2017, it was \$625 million in value added.

Mr. Smith commented on UTAM’s responsible investing activities and highlighted the following:

- UTAM had continued to make enhancements to its investment processes to more fully take into account ESG (environmental, social and governance) factors and responsible investing generally;
- In September 2017, UTAM signed the Montréal Carbon Pledge and committed to disclose the carbon footprints of the Pension and LTCAP investment portfolios on an annual basis (UTAM will disclose the footprints on its website);
- UTAM had hired BMO Global Asset Management to undertake engagements with select companies held in its portfolios on ESG related matters;
- UTAM continued to be a member of the Canadian Coalition for Good Governance (CCGG) that undertook engagements with Canadian companies, but the addition of the BMO service provided for engagement with companies located around the world;
- UTAM had joined *Climate Action 100+*, which was an investor-led initiative to engage with more than 100 of the world’s largest corporate greenhouse gas emitters. The goal was to encourage these companies to curb greenhouse gas emissions, implement a strong corporate governance framework, and adopt enhanced disclosure practices; and
- UTAM had recently published its second annual *Responsible Investing* report, which is available on its website. Mr. Smith also noted that UTAM’s website was updated frequently with new information on its Responsible Investing activities.

In response to members’ questions and comments, Mr. Smith stated the following:

- UTAM had the flexibility to deviate from the target Reference Portfolio asset class weights for Pension and Endowment, but the actual weights must be within the allowable bands – that is, within 5% for each equity asset class; within 10% for all equity asset classes combined; and within 10% for each fixed income asset class;
- UTAM must adhere to various liquidity, concentration and rebalancing constraints;
- UTAM’s investment decisions were framed by a rigorous risk management process and a formal risk budget;
- The credit category within the Pension and Endowment portfolios included more than just Canadian Corporate Bonds; the portfolio also included credit long/short hedge funds, commercial real estate debt, direct lending strategies, non-performing loans and other non-traditional credit-related strategies.

The Chair commended Mr. Smith and his team for presenting a concise and clear report and noted the level of professionalism. One member added that it was accessible and well-written.

The report was received by the Board for information.

### 3. Ancillary Operations: Residential Housing – Operating Plan and Budget, 2018-19

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The Chair noted that under its *Terms of Reference*, the Board reviewed and approved the annual budget of unincorporated business ancillaries and that the St. George Campus Residential Housing Ancillary was one such unincorporated business ancillary.

Ms Macdonald presented on family housing initiatives including the ‘laneway housing pilot project’ which consisted of the proposed construction of two residential units. As part of the development of a Housing Strategy for the University, the goals of the project were to build family-friendly housing that included the opportunity to address issues of affordability, low energy use, and community impact. A process was underway that would review best practices, regulatory issues regarding rentals and the local market demand and long-term leasing opportunities. It also included community consultations through town hall meetings, surveys, individual interviews and focus groups. In response to a member’s suggestion, Ms Macdonald agreed to look into the current discussions around the National Housing Strategy.

Ms Macdonald also presented the annual budget. There were no questions from members.

On motion duly moved, seconded and carried

IT WAS RESOLVED

THAT the operating budget for the Residential Housing Ancillary for 2018-19, as contained in the ‘2018-19 Budget’ column of Schedule 1 to the Overview of Operations and Business Plan for 2018-23, be approved.

**4. Reports of the Administrative Assessors**

Update – Lab Innovation for Toronto (LIFT) Project

Professor Mabury provided an update on the Lab Innovation for Toronto (LIFT) Project noting that all projects were near completion prior to the end of April. As previously reported to the Board, he stated that no extension for completion of projects and related funding would be requested by the University.

Greenhouse Gas Campus Retrofits Program (GGRP)

Professor Mabury stated that additional funding would be made available from the Province and that the University would consider an application on a tight timeline.

**OPEN SESSION CONSENT AGENDA**

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted and items approved.

**5. Report of the Previous Meeting**

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Business Report Number 239 (March 21, 2018) was approved.

**6. Business Arising from the Report of the Previous Meeting**

There was no business arising from the Report of the previous meeting.

**7. Status Report on Debt to March 31, 2018**

Members received the status report on debt to March 31, 2018, for information.

**8. Moody’s Investors Service, Credit Opinion (February 12, 2018)**

Members received the Standard and Poor’s (S&P) Credit Report for information.

**9. Date of the Next Meeting – Monday, April 23, 2018**

The Chair reminded members that the date of the next meeting was Tuesday, June 19, 2018 at 5:00 p.m.

**10. Other Business**

There was no other business.

**The Board Moved *In Camera***

**11. *In Camera* Reports of the Administrative Assessors**

Professor Mabury updated the Board on the Spadina and Sussex Avenues Mixed Use Student Residence capital project and another property matter.

**The Board returned to Open Session.**

The Chair thanked members for their attendance and participation in the Board meeting.

The meeting adjourned at 6:35 p.m.

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Secretary

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Chair

April 24, 2018