

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 221 OF THE BUSINESS BOARD

Monday, September 21, 2015

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, September 21, 2015 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms N. Jane Pepino (Chair)
Mr. Jeff Collins (Vice-Chair)
Professor Scott Mabury, Vice-President
University Operations
Professor Angela Hildyard, Vice-President,
Human Resources and Equity
Ms Sheila Brown, Chief Financial
Officer
Mr. Faizan Sohail Akbani
Mr. Robert Boekner
Mr. David Norris Bowden
Mr. Ian Freedman
Ms Sara Gelgor
Mr. Gary D. Goldberg
Professor Avrum Gotlieb
Mr. Paul Handley
Mr. William Hewitt
Ms Zabeen Hirji
Mr. Alex Iovic
Mr. Mark Krembil
Mr. Brian Miron
Ms Catherine Ridell
Mr. Howard Shearer
Mr. Andrew Szende
Mr. Keith Thomas
Mr. Christopher Thatcher

Ms. Nancy Carolyn Lee
Professor Jan Mahrt-Smith

Presidential Assessors

Ms Christine E. Burke, Director,
Campus Facilities and Planning
Mr. David Estok, Vice-President,
Communications
Mr. Malcolm Lawrie, Assistant Vice-
President, University Planning,
Design and Construction

Secretariat:

Mr. David Walders, Secretary

Regrets:

Mr. Brian Lawson

In Attendance:

Professor Locke Rowe, Dean, School of Graduate Studies and Vice-Provost, Graduate Research
& Education
Ms Gillian Morrison, AVP, Divisional Relations and Campaigns, University Advancement

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Mr. Tad Brown, Senior Legal Counsel, Office of the Vice-President, Advancement and Office of the Vice-President, University Operations
Ms. Lisa Becker, Director, Operational Due Diligence and Chief Compliance Officer, University of Toronto Asset Management Corporation (UTAM)
Ms Elizabeth Cragg, Director, Office of the Vice-President, University Operations
Mr. Mark Drouin, Director, Environmental Health & Safety, Human Resources and Equity
Ms Catherine Gagne, Chief Administrative Officer, Office of the Vice-President and Provost
Mr. John Hsu, Chief Operating Officer, UTAM
Mr. Adrian Hussey, Managing Director, Portfolio and Risk Analysis
Mr. William Moriarty, President and CEO, UTAM
Mr. Steve Miszuk, Director, Planning and Infrastructure, Faculty of Architecture, Landscape and Design
Mr. Chuck O'Reilly, Director, Manager Selection, UTAM
Dr. Pierre Piché, Controller and Director of Financial Services
Mr. Cam Richards, Managing Director, Asset Allocation, UTAM
Mr. Daren Smith, Managing Director, Manager Selection, UTAM

MAIN THEME - INVESTMENTS AND THE ENDOWMENT

Pursuant to section 33(i) of By-Law Number 2, items 12 through 21 were considered e in camera.

The Chair welcomed members and guests to the meeting.

1. Investments: Semi-Annual Update on Investment Performance

Ms Brown provided an overview of the Long-Term Capital Appreciation Pool (LTCAP), the Pension Master Trust (PMT) and the Expendable Funds Investment Pool (EFIP). Mr. Moriarty then offered a presentation¹ that highlighted the following main points:

- Actual investment performance versus both University Targets and the Benchmark Portfolio
- The role of favourable market conditions on investment performance
- The impact of active management strategies on investment performance
- An overview of the current investment environment and challenges ahead.

In the discussion that followed members asked questions on the following topics: reviews of UTAM managers, divestment from fossil fuels, and risk/return policies for the PMT versus that for LTCAP. In terms of manager reviews, Mr. Moriarty explained that UTAM had implemented a formal review process for managers, where the performance of managers was constantly reviewed and changes made if necessary. Turning to the second question, Mr. Moriarty reminded members that the University had received a petition to divest from fossil fuels. The President had appointed an advisory

¹ For complete presentation please see <http://uoft.me/InvestmentPerformance>

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committee to review this petition and consider the University's response to the call for divestment. This committee had called for submissions from both the University community and the wider community. The Board would be apprised of future developments with respect to the work of this committee. Finally, Ms Brown noted that, historically, the return targets for the PMT and LTCAP had been different, but as of 2003, the return target for LTCAP had been reduced from a 5% real return target to a 4% real return target, thus setting it at the same level as the real return target for the PMT, which was already set at 4%. Mr. Moriarty confirmed that the risk allocation in the PMT and LTCAP were the same.

The Chair thanked Mr. Moriarty for his presentation.

2. Endowment Annual Financial Report for the year ended April 30, 2015

Ms Brown noted that the annual report, prepared primarily for major donors, summarized the financial status of endowments collectively. At April 30, 2015, there were over 5,800 individual endowment funds totalling \$2.1 billion market value, an increase of \$261.3 million from April 30, 2014.

There were no questions from members.

3. Credit Rating: Standard & Poor's

The rating report was received by the Board.

She noted that the credit rating for the University was unchanged at AA Stable, which was very good and was now two levels higher than the credit rating for the Province of Ontario.

4. Status Report on Debt to August 31, 2015

The Report was received by the Board.

Ms Brown reminded members that the University's debt strategy was last approved by Governing Council in 2012. The University had a debt strategy that focused on affordability of debt, whereby the debt policy limit was 5% (interest plus principal divided by total expenditures). The debt was a combination of external and internal debt.

In reply to a members question, Ms Brown said that almost all of the University's external debt was in debentures (approximately \$710M), which were not secured against any of the University's physical assets.

5. Health and Safety: Quarterly Reports on Compliance

- a. April 1 – June 30, 2015**
- b. July 1 – September 30, 2015**

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Professor Hildyard provided a brief overview of both reports. There were no questions from members.

6. Approvals Under Summer Executive Authority

The Chair reported that there were no approvals under summer executive authority.

7. Reports of the Administrative Assessors

There were no reports of the administrative assessors.

CONSENT AGENDA

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted.

8. Report of the Previous Meeting, Report Number 220, June 18, 2015

Report Number 220, from the meeting of June 18, 2015, was approved.

9. Business Arising from the Report of the Previous Meeting

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

CLOSING ADMINISTRATIVE MATTERS

10. Other Business

No other business was raised.

11. Date of the Next Meeting – November 2, 2015

The Chair advised members that the next meeting would be November 2, 2015.

The Board moved *in camera*

12. Quarterly List of Donations of \$250,000 or more to the University of Toronto: May 1, 2015 – July 31, 2015

There were no questions on the Quarterly List of Donations.

COLLECTIVE AGREEMENTS

13. Collective Agreement Between the University of Toronto and Local 75 (UNITE HERE)

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The collective agreement was received by the Board for information.

14. Collective Agreement Between the University and CUPE, Local 2484 (Early Learning Centre)

The collective agreement was received by the Board for information.

15. Collective Agreement Between the University and IBEW, Local 353 (Electricians and Control Technicians)

The collective agreement was received by the Board for information.

CAPITAL PROJECTS

16. Capital Project: Recreation Wing (R-Wing) “Highland Hall”: UTSC

a. Financing Requirement

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the Renovation and Expansion of the Recreation Wing (R-Wing) at UTSC, be approved, as outlined in the September 9, 2015 memorandum by Professor Scott Mabury, Vice-President, University Operations.

b. Execution of Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the Vice-President, University Operations be authorized to implement the project for the UTSC renovation and expansion of the Recreation Wing (R-Wing).

17. Capital Project: The Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2)

a. Financing Requirement

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT Phases 1 & 2 of the Relocation of the John H. Daniels Faculty of Architecture Landscape and Design to One Spadina Crescent be

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approved and funded as outlined in the September 9, 2015 memorandum by Professor Scott Mabury, Vice-President, University Operations.

b. Execution of Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT Professor Scott Mabury, Vice-President University Operations, be authorized to implement the project for the Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2), as outlined in his memo dated September 9, 2015.

18. Capital Project: University College Revitalization (Phase 1) and Croft Chapter House (Phase 2)

a. Execution of Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT the Vice-President, University Operations be authorized to implement the capital project for the University College Revitalization (revised Phase 1) and Croft Chapter House (Phase 2) .

19. Capital Project: University of Toronto Institute for Aerospace Studies, Faculty of Applied Science and Engineering, Renovation

a. Execution of Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

THAT Professor Scott Mabury, Vice-President University Operations, be authorized to implement the capital project for the high Pressure Combustion Research Facility, University of Toronto Institute for Aerospace Studies, Faculty of Applied Science and Engineering, as outlined in his memo dated September 9, 2015.

20. Capital Project: MacDonald-Mowat House, 63 St. George Street Renovation & Restoration

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a. Execution of Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

That the Vice-President University Operations be authorized to implement the MacDonald-Mowatt House Renovation and restoration project for the School of Graduate Studies, as outlined in his memo dated September 9, 2015.

21. Reports of the Administrative Assessors

Professor Mabury updated the Board on a real estate acquisition that had been previously approved by the Board. Professor Hildyard updated the Board on an ongoing labour negotiation matter.

The meeting adjourned at 7:15 p.m.

Secretary

Chair

October 1, 2015