UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 181 OF THE BUSINESS BOARD

April 26, 2010

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, April 26, 2010 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn, (In the Chair)
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. William Crothers
Mr. J. Mark Gardhouse
Mr. Steve (Suresh) Gupta
Ms Paulette L. Kennedy*
Mr. Gary P. Mooney
Ms Deborah Ovsenny
Mr. Tim Reid
Ms Jennifer Riel
Professor Arthur S. Ripstein
Mr. Stephen C. Smith
Mr. Olivier Sorin
Mr. W. David Wilson

Professor R. Paul Young Vice-President- Research
Ms Sheila Brown, Chief Financial Officer
Ms Sally Garner, Executive Director, Planning and Budget
Professor Scott Mabury, Vice-Provost, Academic Operations
Ms Anne E. MacDonald, Director, Ancillary Services
Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources
Mr. Nadeem Shabbar, Chief Real Estate Officer
Ms Elizabeth Sisam, Assistant Vice-President, Campus and Facilities Planning
Mr. Ron Swail, Assistant Vice-President, Facilities and Services

Mr. David Palmer, Vice-President, Advancement

Mr. Neil Dobbs, Secretary

* By telephone.

Regrets:

Mr. Andrew Agnew-Iler
Ms Mary Anne Elliott
Dr. Stefan Mathias Larson
Mr. Geoffrey Matus
Ms Florence Minz
Mr. George E. Myhal
Ms Melinda Rogers
Professor Janice Gross Stein
Mr. W. John Switzer
Mr. John Varghese

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In Attendance:

Mr. Benjamin Abramov, Vice-President, Private Markets, University of Toronto Asset Management Corporation
Ms Andrea Carter, Employment Equity Officer and *Accessibility for Ontarians with Disabilities Act* Officer
Ms Karen Coll, Managing Director, Public Markets, University of Toronto Asset Management Corporation
Dr. Anthony Gray, Special Advisor to the President
Mr. John Hsu, Managing Director, Risk Management and Operations, University of Toronto Asset Management Corporation
Mr. Adrian Hussey, Director, Portfolio Research and Analysis, University of Toronto Asset Management Corporation
Ms Julie McAlpine Jeffries, Employment Relations Legal Counsel
Professor George Luste, President, University of Toronto Faculty Association
Ms Susan Fern MacDougall, Director, Office of Environmental Health and Safety
Mr. Michel Malo, Managing Director, Investment Strategy, and Co-Chief Investment Officer, University of Toronto Asset Management Corporation
Ms Carole Moore, Chief Librarian
Mr. William W. Moriarty, President and Chief Executive Officer, University of Toronto Asset Management Corporation
Mr. Henry T. Mulhall, Assistant Secretary, Office of the Governing Council
Mr. Daren Smith, Director, Hedge Funds, University of Toronto Asset Management Corporation

ITEMS 6 AND 7 CONTAIN RECOMMENDATIONS TO THE GOVERNING COUNCIL FOR APPROVAL.

1. Report of the Previous Meeting

The Chair pointed out that members had received copies of Report Number 180 that were marked "corrected" because of one change made after the report had been distributed to the Governing Council. Page 22 reported a discussion of the new governance arrangements for investment management. Ms Riggall had reported that the University would establish an investment advisory committee. The report, as it read originally, said that the committee would provide advice to the President of the University of Toronto Asset Management Corporation (UTAM). The report, as corrected, stated that the purpose of the investment advisory committee would be to provide advice to the President of the University. The Chair remarked that the committee, notwithstanding its formal terms of reference, would also no doubt also provide advice to the President of UTAM.

Report Number 180 (March 22, 2010) as corrected was approved.

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009

The Chair said that UTAM was responsible for investing University funds and the pension fund to achieve, over the long term, the University's return expectation within its stated risk parameters. UTAM was now making its annual accountability report not only to its controlling corporation but more importantly to its client. The Governing Council, acting through the Business Board, was the administrator of the pension plans and the trustee of the endowments.

Mr. Moriarty presented the annual report.

- **University return and risk targets**. The University, through the Business Board, set the return targets and risk tolerances for the three portfolios managed by UTAM. For the pension fund and the Long-Term Capital Appreciation Pool (the L.T.CAP, which included the endowment funds and other funds including the assets that backed the Supplemental Retirement Arrangement) the return and risk targets were the same. They were:
    - a real-return target (after costs and inflation) of 4% per year over ten years and
    - a risk tolerance of one standard deviation of 10% per year over ten years.

  For the Expendable Funds Investment Pool (the EFIP or working capital pool) the return target was the return on 365-day Treasury Bills plus 50 basis points (i.e. plus ½ of 1%) per year, with minimal risk.

- **Benchmark portfolio and portfolio construction**. UTAM staff designed a portfolio aimed at achieving and exceeding the target return over five to ten years, within the stated risk tolerance. That portfolio, with its combination of asset classes in their selected weights, was then discussed with, and approved by the UTAM Board. The weighted combination became UTAM's benchmark portfolio.* UTAM staff then selected external portfolio managers for each asset class whom they expected would exceed the index return for the asset class. If there appeared to be no managers, or an insufficient number of managers, reliably able

* The UTAM asset mix / benchmark for the pension fund and the endowment pool for 2009 and 2010 were as follows:

	2009	2010
Public Equity		
Canadian	10.0%	12.5%
US	15.0%	12.5%
International	15.0%	15.0%
Private Equity	15.0%	10.0%
Fixed Income	15.0%	17.5%
Hedge Funds	15.0%	17.5%
Real Estate	10.0%	10.0%
Commodities	5.0%	5.0%

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

to achieve a return greater than the index return, then the asset class would be managed, in whole or in part, passively.

- **Investment return relative to the University target**. Returns for 2009 had been much superior to those of 2008, which had been a very bad year on the securities markets. The returns for 2009 after costs, driven by positive market conditions, were 6.2% for the endowment fund, 5.4% for the pension fund, and 2.4% for the EFIP. All exceeded the University's target return.

- **Investment return relative to the University's reference portfolio and relative to the fund benchmarks**. The University had introduced the reference portfolio as a measure of performance beginning in 2009.* It represented a conventional portfolio similar to one that could be adopted by smaller Canadian institutions and could be passively invested. The weighted combination of asset classes in the reference portfolio would, according to historical experience, be able to achieve the University's target return. The reference portfolio provided a good basis for comparison. Its return and risk characteristics and time frame were known and comparable. It therefore provided a better comparison than the peer universe used by a performance measurement service to which UTAM subscribed, which universe contained funds with substantially differing risk tolerances. In 2009, the reference portfolio had set a highly demanding standard, earning a return that was 2.7% above that of the median pension fund with assets over $1-billion, as measured by the comparative measurement service.

  The UTAM benchmark represented a more diversified asset mix than the reference portfolio. It necessarily included the indices for less liquid asset classes including private investments and real assets. Those asset classes reflected prior decisions and commitments.

  UTAM was disappointed that the 2009 performance of the pension and endowment funds had trailed both that of the reference portfolio and the benchmark portfolio. It had trailed the reference portfolio by more than 10%.

  - The poor performance relative to the reference portfolio was primarily a reflection of the different asset mix of the UTAM portfolio, in particular its commitments to illiquid private investments. Such investments typically did not provide a good return in the short term, and performance data was available only with a lag.

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* The asset mix of the reference portfolio is as follows

Canadian Equity	30%
U.S. Equity	15%
International Equity	15%
Fixed Income – Nominal Bonds	35%
Fixed Income – Real-Return Bonds	5%

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

- The underperformance relative to the benchmark had been concentrated in the first half of the year. It reflected the restructuring of the portfolio that had been undertaken at that time, requiring the sale of investments to raise cash in response to: (a) the need to meet obligations under the currency hedging program, and (b) the decision to constrain risk in the portfolio.

- **A year of transition and progress**. The year 2009 had been a very busy one. UTAM had continued to face real constraints such as those arising from liquidity issues that had arisen in 2008 – particularly (as noted) the need for cash to meet obligations under the foreign-currency hedging program. Some of those issues continued to have a real impact on performance in 2009. But 2009 had also been a year in which UTAM had achieved real progress. It had restructured and simplified the portfolio. It had unwound the "enhanced indexing" strategy that had been in place in three of the four public-market asset categories. In so doing, it had substantially reduced the level of leverage in both the pension and endowment funds. The hedge-fund strategy had been revised to focus on direct investments in hedge funds rather than in funds of hedge funds. The strategy for fixed-income investments had been reviewed and revised to take advantage of the wide spreads between government and corporate bond issues early in the year. UTAM's rebalancing strategy had been consolidated and simplified. The management of foreign exchange had been consolidated into the hands of one manager and the process simplified. The strategies for investing in private investments and real assets had been reviewed and were being revised. A number of risk-management tools had been developed. UTAM had introduced and expanded liquidity modeling. It had late in 2008 introduced stress testing for the portfolios and had modified the process in 2009. It had initiated a pilot project with a third-party service provider to measure and control risk. UTAM had also changed its foreign-exchange hedging policy, which itself was an important risk-reduction strategy.

  Very importantly, UTAM had added two experienced staff members, bringing its complement up to the level envisioned when the formation of UTAM had originally been proposed in 2000.

  Operationally, UTAM had revised its performance-attribution framework. It had in so doing improved the process and reduced some slippage in terms of performance.

  UTAM had modestly added to its direct costs as a result of some of those steps, but overall it had reduced costs considerably. It had redeemed about $400-million of investments in funds of hedge funds. With management fees of approximately 1%, that step would save about $4-million per year. A number of other initiatives had also reduced costs.

  Finally, UTAM had restructured the responsibilities of its staff to enable emphasis on areas of core competence.

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

- **Asset mix and performance**. Asset mix was the main factor in distinguishing the performance of different investment portfolios. The asset mix selected usually reflected differences in risk tolerance, time horizon, resources available for investment management and other factors. Mr. Moriarty compared the asset mix of the reference portfolio and the UTAM benchmark portfolio. There were two key differences. First, the reference portfolio contained 30% Canadian equities and the UTAM benchmark only 12% - a difference of 18%. Much of that difference had been redirected to private investments: private equity and real assets – asset categories that did not exist in the reference portfolio. Second, the reference portfolio contained 35% fixed income securities and the benchmark portfolio 17.5%. The difference in that case had been directed to hedge funds.

  Mr. Moriarty compared the asset mix as at December 31, 2009 to that at December 31, 2008. There had been two major changes. First, the allocation to public markets had been increased. Investments in alternative asset categories, previously almost 50% of the pension and endowment funds, had been reduced to about 33%, largely as the result of the redemptions of funds of funds. The allocation to fixed-income investments had been increased somewhat, investments in real-return bonds had been moved to nominal bonds, and active management had replaced passive management of much of the fixed-income portfolio to take advantage of the wide spread in yields between government and corporate bonds.

- **2009 performance: Analysis**. 2009 had been a challenging year. It had fallen into two distinct periods. During the first quarter, markets had been in freefall, with investors very concerned that the world economy would fall into a new Depression. Then, towards the end of that quarter, markets had begun to take off. The best performing asset class during the year had been Canadian equities, which had provided a return of about 35%. The worst performing asset class had been private investments: private equity investments and real assets. However, it was difficult to interpret performance in private markets in their early years and over a short period of time. Because valuations were required, the reporting of performance lagged by one quarter. As a result, measures of performance in 2009 included valuations in two very weak quarters: the fourth quarter of 2008 and the first quarter of 2009. Therefore, the returns of private investments for the year could not appropriately be compared with public-market investments. For example, if the performance of U.S. public-market equities had been measured from the end of the third quarter of 2008 to the end of the third quarter of 2009, they would have provided a return of -9%, compared to their 2009 calendar year return of +28%. It was therefore very important to understand the measurement difference between public-market investments and private investments.

  As noted earlier, the main factor in understanding the difference in the performance of two portfolios was their asset mix. The impact of asset mix was well illustrated by comparing the reference portfolio and the benchmark portfolio. In the endowment fund, the return of the benchmark portfolio was 10.3% below that of the reference portfolio. Of that, 9.9% was

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

attributable to (a) the difference in weights between the returns on public-market equities and private investments and (b) the lagged reporting of returns for private investments. Similarly for the pension fund, the return on the benchmark portfolio was 11.2% less than that on the reference portfolio, with 10.5% of that difference attributable to the different weights of public and private investments and the lagged reporting of the returns on private investments. Mr. Moriarty stressed that the addition of the fourth quarter 2009 private investment returns to the 2010 returns would not make up the full difference in performance, but the factor was an important one in understanding the performance gap. Looking at returns quarter by quarter, the gap between the benchmark return and the reference-portfolio return had begun to recede significantly.

Mr. Moriarty commented on the impact of active management on public-market returns. That impact was the result of (a) "tilts" UTAM had decided to implement in particular asset classes (e.g. the tilt towards corporate bonds in the fixed-income category in 2009) and (b) manager selection. The pension and endowment funds had both underperformed the benchmark portfolio by 160-170 basis points (1.6% to 1.7%). But, that had been the outcome of two other factors. The first was the restructuring of the portfolios in the first half of 2009, ending the enhanced-indexing strategy and changing the fixed-income portfolio from passive to active management. The second factor had been the introduction of a cash reserve beginning in February 2009. Those factors had reduced returns for the year by about 2%. The active managers themselves had exceeded their benchmarks in all but one category: the Canadian equities in the endowment fund. (It should be noted that their performance was measured after costs; their benchmarks did not include a factor for costs.)

The hedge-fund portfolio had performed well for the year. As was to be expected, the return on hedge funds was greater than that of fixed-income investments and less than that of equities. Their actual return of over 15% for the year was very good compared to the benchmark return of only 6%.

- **Risk**. As noted, the University's stated risk tolerance was one standard deviation of 10% over ten years. The experience in 2008 had shown that this criterion represented an incomplete specification of acceptable risk. Mr. Moriarty displayed a graph of 60-month rolling standard deviations for the pension fund. There had been a substantial spike in volatility towards the end of 2008 as the markets became very unstable. The outcome had been a number of steps taken by UTAM (described above) to seek to contain risk. UTAM was continuing to develop its tools to study risk, and that development remained a high priority.

- **Current investment environment**. UTAM's general investment outlook at this time was a conservative one. Global economies were in a recovery phase, but UTAM anticipated that it would be a sub-par recovery, taking the shape of a square root sign. After the initial bounce off their lows, economies would grow at a slower rate than usual and well below their

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

potential. That would be the outcome of a number of headwinds slowing the recovery. Consumers, businesses and governments all faced problems, in particular debt problems, that they had not dealt with. Inflation remained a general concern. UTAM was more sanguine about the risk of inflation, anticipating inflation at its usual core rate, but UTAM remained vigilant. While UTAM was less concerned than most investors, it was clear that any risk was on the side of increased inflation. The equity markets had already discounted a great deal of improvement in the economy and in the levels of business profitability. Buoyant markets had been abetted by very low short-term interest rates. UTAM anticipated, however, that equities would trade within a range close to the current one. Interest rates were clearly moving from their very low bottom. UTAM anticipated, however, that they would remain within a trading range for much of 2010. While there was pressure for increased rates, Mr. Moriarty did not anticipate that they were likely to take off. The risk/reward balance was, therefore, generally less attractive than it had been in 2009. UTAM would aim to be flexible, with more of its portfolio oriented towards trading strategies or opportunistic strategies.

- **Policy target asset mix for 2010**. Mr. Moriarty displayed the policy target asset mixes for the pension fund and endowment portfolios for 2009 and 2010*. The changes had arisen from a review completed in 2009. The asset mix would be reviewed again after the University had established its new return objective and risk tolerance for those funds. The current UTAM team had been somewhat constrained in its asset-mix decisions by the existing commitments to the illiquid aspects in the portfolio, particularly private investments, and by the nature of the UTAM team. Those constraints would continue in place in the near future.

  The changes in the policy asset mix for 2010 were intended: to reduce equity exposure and risk; to reduce exposure to the alternative asset categories, especially to less liquid alternative investments; to reduce foreign-exchange exposure; and to add to long-term inflation protection. The changes that were made were relatively small ones, but they would help to achieve the objectives just described. The most significant move was to reduce the target for private equity investments from 15% of the portfolio to 10%.

Mr. Moriarty concluded that 2009 had been a challenging year and a very busy year. He believed that the University was much better positioned than previously, with the level of risk in the portfolios reduced and their flexibility increased. With its collective experience, the current UTAM team was much better able to analyze and manage risk in the current complex and challenging market environment. UTAM had made considerable progress, but there was still more required to achieve maximum effectiveness.

* The target asset mix for 2010 was: Canadian equities 12.5%; U.S. equities 12.5%; international equities 15%; fixed income 17.5%; hedge funds 17.5%; private equity 10%; and real assets 15%.

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

Among the matters that arose in questions and discussion were the following.

(a) Portfolio restructuring: timing. In response to a question, Mr. Moriarty said that the effect of the restructuring of the pension and endowment portfolios had begun to show results in the second quarter of 2009. That restructuring was continuing. UTAM was continuing to move money from funds of hedge funds to individual hedge funds. Private investments were relatively illiquid longer term investments, but it might prove easier to complete some further restructuring in the area in the current, improved market conditions.

(b) Real assets. In response to a question about losses in 2009 in real-asset investments, Mr. Moriarty said that the principal area of loss was in international and some U.S. real-estate funds, where it had been necessary to accept some write downs in values. There had also been some negative impact arising from natural gas investments in the commodities segment of the portfolio.

(c) Private-market investments: future commitments. A member referred to news reports that Yale University had made commitments that could lead to substantial calls for capital from Yale's private-market funds. Did the University of Toronto have similar commitments? Mr. Moriarty replied that about 20% of the pension and endowment portfolios was currently allocated to relatively illiquid private investment pools, including pools of real assets. Investors make commitments of a given amount of capital to such pools, and the committed capital was called by the pools' managers as their individual investments were made. Capital was usually called over the first four years of the pool. Investors then hoped to harvest returns from those investments over the next five to eight years. Commitments that have been made by UTAM but not called by the managers would, in the worst case, amount to a further 12% of the value of the pension fund. At many large U.S. funds, such as Yale's, that proportion would probably be significantly higher, perhaps 35% - 40% of the funds. UTAM was in reasonably decent shape in terms of the liquidity to meet capital calls. In the current market circumstances, Mr. Moriarty did not anticipate that managers would call 100% of commitments made. In addition, UTAM was receiving, and would continue to receive, a flow of distributions from older vintage funds.

(d) Private-equity investments. Mr. Moriarty said that there were good and bad features of the private-equity portfolio. A significant portion of those investments was concentrated in the 2006 and 2007 vintage years and in the area of large buyout funds. That area was a challenged one at the present time. On the other hand, about 30% of the private equity investments was in distressed-investment funds. Those funds had been generally performing well, with managers' benefitting from their purchases in the recent depressed market conditions and enjoying the benefits of the current market recovery and the generally more sanguine view of the markets.

(e) Relative performance. A member observed that the annual report included no data comparing UTAM's performance to that of other pension, endowment or foundation funds.

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

Mr. Moriarty replied that UTAM did track, and could provide, comparative information. The median return on Canadian balanced pension funds with assets over $1-billion for 2009, as tracked by a major performance-measurement service, had been about 15½%. However, the structure of the funds tracked by the service was very different from UTAM's funds. The member observed that the difference made it all the more important to know the variation in performance. Ms Riggall said that UTAM's objective was not necessarily to obtain returns that were better than those of other funds. Rather, its objective was to enable the University to meet the liabilities of its funds: to make its endowment payouts and to pay its pensioners. The University had established its reference portfolio as a comparator to UTAM to enable the University to ask if it would be best able to meet its objectives through UTAM's active management or through a simpler way of investing its funds. The answer to date appeared to be that the active management of UTAM was often, but not always, the better alternative. UTAM's performance was also compared to the benchmark portfolio to enable the University to determine the value of UTAM's decisions concerning the implementation of the asset mix: the selection of "tilts" within asset categories and the selection of external investment managers.

(f) View of 2009. In response to a question, Mr. Moriarty said that UTAM's staff was clearly not pleased with returns in 2009; all staff would have preferred that returns have been better. However, it was recognized that some part of the overall return was the outcome of the inherited, illiquid portfolio, where most positive returns were to be expected later in the course of the investments. Given the starting place, UTAM was pleased with achievements during the year. The portfolios were now better positioned: manifesting more flexibility and less risk.

(g) 2010 to date. In response to a member's question, Mr. Moriarty said that reliable performance data was available only for January, 2010. For public-market investments, the markets had declined badly in January and had bounced back in February. The net effect for the two months was slightly negative. Mr. Moriarty anticipated that UTAM's returns on its public-market investments would continue to be somewhat better than market returns. A member observed that in the light of the condition of the markets over the past two years, a positive turn represented very good news.

(h) Changes to UTAM governance. In response to a member's question, Ms Riggall said that the basic change to investment governance would be the relocation of more responsibility with the Business Board and with the planned new Pension Committee. At the present time, UTAM's governance was in the hands of an interim Board, including many members of the Business Board, which would provide continuity until the new arrangements were in place. Ms Riggall anticipated that a proposal to implement the new arrangements would be brought forward in June.

Invited to address the Board, Professor Luste referred members to a document he had prepared and distributed at the meeting. He pointed out that the pension fund had lost 29.5% of its value in 2008. Because of the lower base amount of the fund arising from that loss, it would

2. Investments: University of Toronto Asset Management Corporation (UTAM) – Annual Report and Financial Statements, 2009 (Cont'd)

have been necessary for it to earn 41.8% simply to return to its value at the beginning of 2008. The actual return for the year had been only 5.4%. Professor Luste referred to comparative data concerning the performance of the 23 Canadian university pension plans with assets over $500-million as at December 31, 2008. The performance of the University of Toronto plan over ten years ranked the lowest by a significant margin. Over those ten years, the fund's mean return had been 2.1% per year. During that same period, Canadian inflation has also amounted to 2.1% per year. The target return for the pension fund, reflected in the actuarial calculations, was 4% per year after inflation. UTAM's investments had in fact earned no real return after inflation. As a result, the pension plan was in very serious financial difficulty. Professor Luste referred members to a table comparing the performance of UTAM's pension-fund investments to a simple passive portfolio consisting 50% of the Canadian bond universe index and 50% of the Toronto Stock Exchange composite index. Over ten years, that simple index fund would have earned a compound annual return of 6.7% or a real return of 4.6% after inflation. That real return would have met and exceeded the University's target return. The dollar return of UTAM's investments over the ten years was $956-million less than the return that would have been earned by the simple index investment – an amount that dealt only with the pension fund and did not take into account the University's endowment fund.

Professor Luste said that while investment returns were subject to the vagaries of the market, the cost of investment management was the one factor that was subject to control. Prior to the establishment of UTAM, the annual fees and expenses for the pension plan had been less than $5-million per year, about 20 basis points (1/5 of 1%) relative to the assets in the pension fund. In 2009, that cost had been $28-million, a rate of about 150 basis points (or 1½%). Over ten years, that had amounted to spending of about $110 million above the previous cost to obtain no long-term real (after-inflation) return whatever. Professor Luste pointed out that in 2008-09, somewhat over 4,500 retirees were paid pensions (at an average of $30,000 each) amounting to $127.6-million. Pension-plan costs (for investment management, custodianship of the assets and management) amounted to $28.1-million – a cost amounting to over 20% of the pension payout.

Professor Luste urged serious consideration of the issues he had raised. He stated his conclusion that the pension plan would be better served by a quick return to the simpler investment-management arrangements that had been in place before the establishment of UTAM, in which at least 95% of the plan assets would be invested in the public markets.

3. Vice-President, Human Resources and Equity: Annual Report, 2009

The Chair reiterated that the strength of the University lay in its human resources – its faculty and staff – as well as in its students. The recruitment, retention, experience, development and equitable treatment of faculty and staff were immensely important topics, as was the health and safety of everyone on the University's campuses. Faculty and staff also represented by far

3. Vice-President, Human Resources and Equity: Annual Report, 2009 (Cont'd)

the University's largest item of expense. With respect to the aspect of the report dealing with health and safety matters, he reminded the Board that University officers and Board members could be held personally liable for any failure to exercise due diligence in ensuring that the University was carrying out its responsibilities under the *Occupational Health and Safety Act*.

Ms Sass-Kortsak presented the report on behalf of Professor Hildyard. She said that the Human Resources and Equity division had three overarching objectives. The first was to ensure that the University continued to be viewed as an employer of choice by current and potential employees. Second, the division sought to be viewed as a key strategic partner by the University as a whole and by each of the academic and administrative divisions it served. Third, it sought to ensure that the University's commitment to equity and diversity was tangible and visible in the experience of employees. Ms Sass-Kortsak noted that the University had been recognized as one of the top 35 diversity employers in Canada. The highlights of the report were as follows.

- **Promotion of the engagement of staff**. Late in 2006, the division had conducted a survey of all faculty and staff concerning their work environment. Since that time, the University had been addressing some of the issues and opportunities for improvement that had been pointed out in the survey. A new survey was planned for the fall of 2010.

  An important area of focus was the integration of new faculty and staff in their early months of their employment at the University – a very important time. Those efforts were being undertaken both centrally and in the various academic and administrative divisions.

  Another important step in retaining and engaging employees and encouraging their optimal performance was the focus on employee recognition and reward programs – a growing centre of attention in the past couple of years both centrally and in many of the divisions. The previous Stepping UP awards were now the "Excellence through Innovation" awards, which recognized valuable innovations. The annual Chancellor's Award for outstanding work by staff members continued.

- **Staff development**. The University placed a great deal of emphasis on staff development. It was very proud to have the sponsorship of Ms Rose Patten, the past-Chair of the Governing Council, for its leadership development program. That included a strong formal mentoring program. Over 1,300 employees had taken part in leadership development activities in 2009. The University was placing considerable emphasis on succession planning: identifying individuals with high potential for more senior positions and ensuring that they had opportunities for development. Over 1,100 employees had received University support for continuing education courses completed at the University and elsewhere. A further 1,200 employees had taken part in other career development programs – a sign of a highly engaged workforce. The University sought to ensure that the members of the University's "civil service" were encouraged to have lengthy careers at the University and to contribute their knowledge to the work of the University and to other employees.

3. Vice-President, Human Resources and Equity: Annual Report, 2009 (Cont'd)

- **Resolving conflict**. A great deal of effort was devoted to resolving conflicts constructively and building relationships with employees and employee groups. The University was party to 21 collective agreements as well as the agreement with the Faculty Association. There were, in addition, a number of other groups of non-unionized staff. In such circumstances, it was to be expected that some conflict would arise. In 2009, 133 grievances had been submitted by the unions. Over half of them had been resolved informally, supporting the University's view that it was clearly best for grievances to be resolved in that manner within the divisions in which they arose. Fewer than 5% of grievances were sent to arbitration. The University sought to limit arbitration to cases involving an important issue of principle where the outcome would set a precedent for dealing with future conflicts. The Human Resources division had also established *Guidelines of Civil Conduct*, which provided another way to address individual conflict situations. The Human Resources group was expending considerable effort to train staff to respond to conflicts using those *Guidelines*.

- **Health and wellness**. There had been no significant increase in the number of claims under the long-term disability program in 2009. It was interesting to note that, like many other employers, the largest proportion of all such claims (36%) was the outcome of psychological illnesses. That fact was an important one for the University to take into account in planning accommodation to assist employees in their return from long-term disability leave.

- **Environmental health and safety**. The Office of Environmental Health and Safety used a risk-management approach to determining its priorities. For 2009, the Office had focused particularly on laboratory safety, including chemical safety and especially biosafety. The focus was partially in response to new legislation and regulations and also in response to an audit report. The Department's work included new guidelines, training in biosafety procedures, and laboratory audits to monitor compliance. The Department had also taken over responsibility for oversight of biological-waste disposal to ensure safe disposal and compliance with regulations. The Department had purchased a new data-management system, which would enable the University to have readily available, integrated information to track inventories, permit applications, training, hazardous materials, etc.
  Ms Sass-Kortsak said that members would recall challenges with respect to the operation of the 47 joint University / employee health and safety committees. The Office of Environmental Health and Safety was working to reconfigure the committee structure to reduce the number of unique committees and to promote the more effective operation of a smaller number of committees. The Office planned to implement the reconfiguration in 2010. Ms Sass-Kortsak commented that there was, in general in Ontario and across Canada, a significant increase in health and safety regulation and inspections by various government bodies. The University was focusing substantial effort on being prepared for such inspections.

- **Work-related injuries**. In 2009, employees had suffered 50 accidents on campus that had led to the loss of work time, a reduction from 63 such accidents in 2008. Regrettably, one of

3. Vice-President, Human Resources and Equity: Annual Report, 2009 (Cont'd)

those accidents had led to a critical injury. The outcome of those accidents was 1,230 days of time lost from work, a significant reduction from 2,087 days in 2008. The outcome was a function not only of the reduced number of accidents but also of their overall reduced severity. It was also a function of (a) increased training in accident prevention, and (b) the work of the Health and Well-Being Services Office with the University's divisions and departments to promote appropriate accommodation to facilitate employees' speedier return to work.

- **Equity and diversity**. The current year was the second year in which the reports of the University's equity officers were included in the annual report of the Vice-President, Human Resources and Equity. The intention was to stress the integration of work to achieve equity and diversity into everything the University did rather than to see that work as a separate category of activity. The new Customer Service Standard under the *Accessibility for Ontarians with a Disability Act* had come into effect in 2009. It had provided a good opportunity for the University to engage in active discussion and learning across the University about how to remove barriers to accessibility. That discussion, led by the Employment Equity and *Accessibility for Ontarians with Disabilities Act* Office, had included brochures, posters, on-line resources, and a variety of activities to increase knowledge and understanding. There had been a great deal of focused activity in 2009 in the area of techniques of inclusive pedagogy. Those efforts, led by the new Centre for Teaching Support and Innovation, included the development of a Guide for faculty, the sponsorship or workshops for faculty, and consultations with faculty on particular issues. At UTSC, there had been a survey of students with disabilities.

- **Raising awareness of equity matters**. A survey of University employees had revealed some lack of knowledge about the University's resources in the area of equity. The equity officers had therefore initiated a number of innovative approaches to communicating about equity matters. Those approaches had included on-line resources, poster campaigns, workshops and art exhibits. A video, on the theme of "university rhymes with diversity" had been produced and placed on "You Tube."

Among the matters that arose in questions and discussion were the following.

(a) Voluntary turnover rate. A member referred to graphs illustrating the rates of voluntary turnover among the University's full-time administrative staff over the past three years compared to those at other Canadian organizations. It was noted in the Annual Report that the University's turnover rate was substantially lower than the average at all Canadian organizations. The member asked how the University's turnover rate compared specifically to other Canadian universities. He also asked the reason for the substantial difference in the turnover rates between the University and the general group of "education and health" organizations. For the past two years, the turnover rate of the group in general appeared to be twice that at the University of Toronto. Ms Sass-Kortsak replied that there were no good comparative data with other

3. Vice-President, Human Resources and Equity: Annual Report, 2009 (Cont'd)

universities. While the University had data from a few other universities, it was not classified in the same way as this University's data. There had been discussions of the possibility of gathering consistent data and sharing it in order to provide benchmarking, but such an arrangement was not currently in place. Professor Hildyard undertook to look into, and advise the member about, the more general question of the reason for the very large difference in the turnover at the University of Toronto and other Canadian education and health institutions.

(b) Health and well-being: alcoholism. A member commented that alcoholism was a major issue among corporate employers. But the matter did not appear to be addressed in this report, for example among the causes of long-term disability. Professor Hildyard replied that disability caused by alcohol and drug dependence was classified in the Report under psychological problems. Although there was no chapter of Alcoholics Anonymous at the University, employees with alcohol-dependence problems could seek assistance through the Employee and Family Assistance Program, a free confidential information, counselling and referral service. That program would refer employees to appropriate services or programs. In such cases, the University would expect the employee, with assistance, to formulate a plan to deal with the dependency and a commitment to carrying out the plan.

(c) Financial implications of trends. A member asked about the trends in the costs of the programs noted in the Annual Report. Ms Brown and Ms Garner replied that staff benefits costs were included in the University's budget although they were not broken out separately as a budget line item. The member said that it would be important to report those costs and to show the trends in them. That represented the second most important consequence of the Human Resources and Equity program.

In the course of discussion of the Annual Report of the Vice-President and the Annual Report on Employment Equity, a number of members said that the reports and their presentations were excellent ones. The Chair thanked Professor Hildyard, Ms Sass-Kortsak and their colleagues for the reports, which reflected the clearly excellent work achieved by the Vice-President and the various Departments reporting to her.

4. Employment Equity: Annual Report, 2009

Ms Sass-Kortsak present the Annual Report on Employment Equity on behalf of Professor Hildyard. She noted that the University, as a recipient of funding from the Government of Canada, was covered by the Federal Contractors' Program and by the *Employment Equity Act*. To comply with the requirements of the Program and *Act*, the University collected a great deal of information on the hiring, representation and promotion of members of certain designated groups. The *Act* included women, aboriginal people, visible minorities and persons with disabilities as designated groups. In addition, the University had included sexual minorities as a designated group and had collected comparable information with respect to members of that group, even though doing so was not mandated by the *Act*.

4. Employment Equity: Annual Report, 2009 (Cont'd)

- **Representation rates for designated groups, 2009**. Women comprised 40% of the University's faculty, a proportion that had been steadily increasing over recent years. That proportion was slightly higher than the external availability of female academics. Between 40% and 50% of the University's academic leaders were women – a strong representation that was very good news. Women constituted 60% of the University's staff, and women were well represented in management positions. Nearly 15% of the University's faculty members had identified themselves as members of a visible minority, again higher than the external availability proportion. It was important to note that 28% of newly hired faculty members had identified themselves as members of a visible minority, meaning that the total representation of visible minorities among the faculty would increase over time. Members of visible minorities were somewhat less well represented amongst the academic leadership of the University – a matter to which the University was attentive. Over 30% of the University's staff were members of visible minorities. Aboriginal people (0.5% of the faculty and 1% of staff) and persons with a disability (1.8% of faculty and 3.2% of staff) were only small proportions of the totals, which was a cause for concern. The University was undertaking efforts to broaden the pools of applicants from amongst those groups and was also addressing certain barriers to retention. 4.3% of faculty and 4.5% of staff identified themselves as members of a sexual minority. In the case of sexual minorities, there was no external availability data, and the University measured its progress by year-over-year comparisons.

- **Activities undertaken in 2009: Highlights**. Ms Sass-Kortsak outlined a number of initiatives that had been undertaken in response to needs demonstrated by the employment equity data. The Health and Wellbeing Services Department had been working with the divisions to promote ongoing accommodation for people with disabilities, acting pursuant to the *Accessibility for Ontarians with Disabilities Act* and using the University's increasing knowledge of steps that could be taken to provide accommodation. The University had been working in partnership with agencies supporting persons with disabilities to increase the representation of such persons in the hiring pool. All of the equity officers provided a good deal of education. A focus this year had been on actions to implement the *Access for Ontarians with Disabilities Act*. The University had promoted proactive ways to incorporate equity and diversity throughout the hiring and retention processes. That topic had been a focus of the training provided to new academic administrators and managers. An Aboriginal Initiatives Program Committee had been active in developing strategies to recruit and retain aboriginal staff and faculty. That Committee consisted of members of the faculty, staff, Human Resources Department, First Nations House, and the Director of Faculty Life and the Director of Employment Equity. Substantial accountability requirements had been put into place for faculty search committees. Such committees were required to report to the Provost's Office specifically on their efforts to recruit from a diverse applicant pool and to include members of designated groups on short lists for interview.

- **New initiatives and areas of focus for 2010**. The University would be holding a career event in partnership with the Aboriginal Friendship Centres, the University's Career Centre, and First Nations House. The objective of the event would be to attract aboriginal persons who

4. Employment Equity: Annual Report, 2009 (Cont'd)

were graduates of the University and others to see the University as a welcoming place to work. The University anticipated the implementation of new employment standards under the *Access to Ontarians with Disabilities Act*, and it would review its employment practices to create a more accessible employment environment. Finally, the University would establish Employment Equity Committees with several of its union groups and would ask those committees to focus on a number of specific issues.

5. Quarterly Report on Compliance with Legal Requirements

The Board received for information the Quarterly Report on Compliance with Health and Safety Requirements for the quarter ended March 30, 2010.

6. *Policy with respect to Workplace Harassment*

The Chair noted that "policies concerning the health and safety of members of the University and visitors" required the approval of the Governing Council. This proposed policy, and the next one on the agenda, which both arose from amendments to the *Occupational Health and Safety Act*, fell into that category. Therefore the Board would be voting on recommendations to the Governing Council rather than voting to approve these policies.

Professor Hildyard said that both the proposed policy on harassment and that on workplace violence were minimalist policies. They included definitions taken from the amended *Occupational Health and Safety Act*. The University would use guidelines to implement the policies. In the case of the proposed *Policy with respect to Workplace Harassment*, the University would use its current Human Resources *Guideline on Civil Conduct*, which would meet the needs of the *Policy* completely. Invited to respond to a member's question, Ms Jeffries said that the proposed *Policy* dealt with harassment of employees, including harassment of employees by students. The University would deal with an employee who threatened or harassed a student through the usual processes for managing employees. The University had no specific policy in place to deal with the matter.

On the recommendation of the Vice-President, Human Resources and Equity,

YOUR BOARD RECOMMENDS

THAT the proposed *Policy with respect to Workplace Harassment*, a copy of which is attached hereto as Appendix "A", be approved, with effect from June 15, 2010.

7. *Policy with respect to Workplace Violence*

Professor Hildyard said that in the case of the proposed *Policy with respect to Workplace Violence*, the University was still working on Guidelines to implement the Policy. She assured the Board that those Guidelines would be in place by the June 15 effective date of the Policy

On the recommendation of the Vice-President, Human Resources and Equity,

YOUR BOARD RECOMMENDS

THAT the proposed *Policy with respect to Workplace Violence*, a copy of which is attached hereto as Appendix "B", be approved, with effect from June 15, 2010.

8. Revised *Compensation Policy for Senior Advancement Professionals*

The Chair noted that in the case of human resources policies and compensation matters, the Business Board did make final decisions rather than recommendations to the Governing Council. He reminded members of the provisions of Governing Council By-Law Number 2, section 27(d) dealt with conflict of interest. It stated that "no member. . . of a committee of the Council, other than the President or a Vice-President, who is an employee or a member of whose immediate family is an employee of the University, may move or second motions or vote on matters related to the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related to compensation . . ."

Professor Hildyard said that the proposed revision to the Policy on Compensation for Senior Advancement Professionals was intended to enable the Advancement group to ensure compensation to its senior employees in a way that made sense relative to the employees' achievement of their objectives. Their compensation would continue to be based on a rigorous review procedure. It was understood that implementation of the revised policy would proceed only as permitted by new Ontario compensation-restraint legislation.

A member asked whether the cost of compensation increases for the senior advancement professionals would be provided in the University's operating budget or whether it would be recovered from donations. Did the University have the resources to provide the proposed increases? Professor Hildyard replied that the compensation framework for senior advancement staff, as for all other staff, was within the regular operating budget. The amount required for compensation was estimated each year, and an appropriate amount was allocated. It should not necessarily be assumed that the proposed revision to the Policy would lead to overall growth in the cost of compensation increases for this group; on the contrary the policy change could well lead to a reduction in some circumstances.

8. Revised *Compensation Policy for Senior Advancement Professionals* (Cont'd)

On the recommendation of the Vice-President, Human Resources and Equity,

YOUR BOARD APPROVED

The proposed revised *Compensation Policy for Senior Advancement Professionals* in the *Policies for Professionals/Managers,* a copy of which revised Policy is attached hereto as Appendix "C", with effect from July 2, 2010, replacing the policy approved by the Business Board on June 23, 2005. It is understood that, in the immediate term, implementation of the policy changes will be undertaken in accordance with the relevant provisions of the *Public Sector Compensation Restraint To Protect Public Services Act, 2010.*

9. Vice-President, Research, Annual Report, March 2009

The Chair noted that the annual accountability report of the Vice-President, Research had been made to the Committee on Academic Policy and Programs and to the Academic Board, which were responsible for research matters. The Report had also traditionally been presented to the Business Board, arising from this Board's interest in the external-relations aspect of research achievements, in technology transfer to the private sector, and in the revenue generation provided by research activities.

Professor Young said that the main report was primarily intended for an external audience. It celebrated the research carried out at the University. It focused on ten significant questions facing humanity in the twenty-first century, and it mapped the contributions made by University of Toronto researchers and alumni in addressing those questions. For example, it included a comment from alumnus Mr. Jim Balsillie, Co-C.E.O. of Research in Motion Ltd., on "how will the new economy transform our lives?" It included a comment from Dr. Rick Hansen, recipient of an Honorary Doctor of Laws degree from the University, on the question of "personalized medicine: what's possible? what's right?" The questions that formed the focus of the report would change over the years. The report was not meant to be inclusive of all of the research work taking place at the University. In addition to the main part of the report, with its specific illustrations of research contributions, its quotations and its photographs, the second part of the report provided detailed numbers on the impact of the University's research work: research funding received, awards earned, etc. The previous report, which had employed a similar format, had won a great deal of praise and had been awarded a Silver Medal in a comparison of research reports from all major North American universities. It was anticipated that the report would have a two-year shelf life. Professor Young again stressed that the report was not meant to be all inclusive but to highlight research and research-driven innovations, primarily for an external audience including those who made decisions concerning government research funding and private-sector research funding.

9. Vice-President, Research, Annual Report, March 2009

Among the matters that arose in questions and discussion were the following.

(a) Disciplinary focus of the report. A member observed that there was little focus in the report on research in the Humanities. Professor Young replied that the report did include information on work in the Humanities in that scholars in that area made important contributions to the understanding of some of the major questions dealt with in the report. The work of two leading philosophers was cited in connection with their contributions to the consideration of the questions "is war inevitable?" and "personalized medicine: what's possible? what's right?"

Another member said that it was valuable to demonstrate the contributions of scholars in the Humanities and Social Sciences to the discussion of the fundamental questions considered in the report. However, he urged a more balanced presentation of the University's research work to demonstrate the University's excellence in the Humanities and Social Sciences.

(b) Cost and value of the report. A member questioned the spending required to produce a "glossy" report with little content at a time of highly restricted funding and budget reductions. He suggested that the benefits of the report could have been gained by its much less expensive electronic publication on the web. Professor Young replied that the question of cost had been considered carefully before the first report in the current format was produced two years previously. That cost was limited by the production of the report only every second year. The report was deemed to be an essential tool of focused advocacy campaigns. While there was a great deal of very good information about the University's research available on the web, that did not replace the value contributed by sending out the report with a personalized letter to decision-makers in the public and private sectors who funded the University's research. The cost represented a very small proportion of the research funding received.

A member commented that the report, if made available to potential students, could serve as an excellent recruitment vehicle for outstanding students, particularly in science and engineering. Professor Young said that the report had also proven to be a valuable tool in recruiting top faculty.

A member observed that the report told a much more complete story of the University's achievements in the area of research than did the purely quantitative information contained in the performance-indicator reports. This report gave a much more complete picture of what the University had in fact achieved.

Professor Young noted that the extraordinary achievements of the University's faculty were the key ingredients making the report possible. It represented one way of drawing attention to that extraordinary work. That work needed to be presented to a broad, external audience in order for it, and the University, to win the recognition it deserved.

10. Capital Projects Report as at March 31, 2010

The Board received for information the Report on Capital Projects Under Construction as at March 31, 2010. That report dealt with projects at a total budgeted cost of $373.97-million.

11. Capital Project Closures Report

The Board received for information the Report on Capital Project Closures dated April 9, 2010. It reported on the closure of the project to construct the Centre for Biological Timing and Cognition on the St. George Campus at a cost of $13,727,785.

12. Borrowing: Status Report to March 31, 2010

The Board received for information the Borrowing Status Report to March 31, 2010. That Report showed maximum borrowing capacity of $958.4-million pursuant to the University's policy; borrowing allocated (net of repayments that could be reallocated) of $896.1-million; actual external borrowing of $532.8-million; and internal borrowing outstanding of $211.3-million.

13. Capital Project: Robarts Library Pavilion

Mr. Shabbar said that the proposed project represented a further step in the on-going renewal and expansion of the Robarts Library. It was proposed to add a new pavilion on the Huron Street side of the Library. The five-storey structure would be built over the existing loading dock and would connect with the main library building through its second to fifth floors. It would provide study spaces for approximately 1,000 students. Each space would have access to electrical power and a wireless internet connection. The pavilion would also contain a café with seating for about 48 people. Landscaping would seek to make the area attractive for impromptu gatherings in good weather. The pavilion would be fully accessible for the handicapped. The total project cost was estimated to be $38.6-million, assuming that the project went to tender in the middle of 2011. The project would include just under 64,000 gross square feet of space, at a cost of $427 per square foot.

A member expressed concern that the plan for the pavilion did not serve the best interests of the University's graduate students. In particular, there was a severe shortage of private study carrels for graduate students, especially in the Humanities and Social Sciences. He asked whether the proposed pavilion would prevent the construction of a larger new wing of the Library. Why was the construction limited to five floors when the main Library Building had thirteen stories? Was there any plan to create new graduate-student carrels in the proposed pavilion or in the café? Would the twenty-four hour access to the pavilion enable graduate students to have similar access to carrel space? Was there to be student involvement in the detailed planning for the project? Mr. Shabbar and Ms Moore replied. There had not at any time been a plan for a taller building on the site. A higher building would obstruct the windows in the existing books stack floors, including those in the graduate-student carrels on those floors. The

13. Capital Project: Robarts Library Pavilion (Cont'd)

program for the project, as endorsed by the Academic Board, was for the structure now before the Business Board for approval of execution. The zoning for the site would not permit a taller building; on the contrary, it had been necessary to obtain a modification for current plan to increase the height slightly from the allowable zoning. Even if the University were to obtain a further exception to the zoning requirement, it would require additional funding to build a taller building. The purpose of the current proposal was to ensure University endorsement of the current project so that advancement personnel could seek out the substantial additional funding required to erect the currently proposed structure. None of the space in the proposed pavilion was planned specifically for graduate-student carrels or for the exclusive use of graduate students. The space was to be like that provided in the Morrison Pavilion in the Sigmund Samuel Library, which had proven very successful. It was expected that the areas of high traffic used by undergraduate students would be concentrated in the pavilion and on the first five floors of the remainder of the Robarts Library. That would leave more and quieter space for graduate students on the higher levels of the original building, which accommodated the book-stacks and included the private carrels. Students had served on the Project Planning Committee for the project. As the project proceeded and as other aspects of the Library renovation were planned, there would be the opportunity for other student participation on the Planning Committee and for the consideration of improvements with respect to graduate-student carrels.

On the recommendation of the Vice-president, Business Affairs,

YOUR BOARD APPROVED

(a) Subject to Governing Council approval of the project,

THAT the Vice-President, Business Affairs be authorized to spend up to $1.0-million to initiate schematic architectural and structural design work for the Robarts Library Pavilion, using the funding in hand from a donation committed to the project; and

(b) Subject to Governing Council approval of the project, and subject to the receipt of full funding,

THAT the Vice-President, Business Affairs be authorized to execute the Robarts Library Pavilion project at a total project cost not to exceed $38,590,000, with sources of funding as follows:

Committed donation	$15,000,000
Other donations	23,590,000

The Chair noted that the Business Board was not responsible for considering the content of plans for particular projects. Such questions were decided by the Governing Council on the

13. Capital Project: Robarts Library Pavilion (Cont'd)

basis of advice from the academic side of governance: the Planning and Budget Committee and the Academic Board. The Business Board was responsible for authorizing the commencement of work on each major capital project approved by the Council: ensuring that it was executed in a cost-effective manner and that funding and financing were solid. He was concerned that the Board may have strayed from its mandate in this case.

14. University of Toronto at Mississauga: Chemistry Undergraduate Teaching Laboratories – Appropriation Increase

Mr. Shabbar recalled that the Board had, at its meeting of February 8, 2010, approved execution of the University of Toronto at Mississauga (U.T.M.) Chemistry Undergraduate Teaching Laboratory project at a cost of $4.24-million. The design work that had been completed following that approval had made it apparent that the total cost of the project would be significantly higher. First, the South Building at U.T.M. was now almost 45 years old, and it had become clear that it would be necessary as part of the project to complete additional work to replace aspects of the aging infrastructure. Second, the cost of the variable-air-velocity (V.A.V.) system for the laboratory fume-hoods had increased substantially since the time of their most recent purchase by the University for renovation of the Lash Millar Laboratories on the St. George Campus. That increase in the cost of the V.A.V. systems was in substantial part the outcome of the high demand for them for the large number of laboratory projects funded by government infrastructure support / stimulus programs. The high demand had also caused delays in the availability of the systems, meaning that the project had to be delayed to the summer of 2011 – also causing an increase in the estimated cost. The cost increase of $2.5-million would be funded from the U.T.M. operating budget, by reallocating monies planned for use for other capital projects.

In response to a member's question, Mr. Shabbar said that there was some evidence of a firming of construction costs in general, but there was no evidence to date of a substantial general increase. For example, the cost of the Robarts Library Pavilion project, at $427 per gross square foot, was generally in line with the cost of other new construction of a similar type. In the case of the U.T.M. project, the primary drivers of the cost increase were (a) the originally unexpected need for infrastructure work, and (b) the increase in the cost of in-demand laboratory equipment. Profess Mabury observed that the level of market for laboratory equipment was not competitive in Canada, and bids from U.S. suppliers for Canadian projects were not usually competitive in terms of price, even with the Canadian dollar closer to parity with the U.S. dollar.

14. University of Toronto at Mississauga: Chemistry Undergraduate Teaching Laboratories – Appropriation Increase (Cont'd)

On the recommendation of the Vice-president, Business Affairs,

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized to execute the University of Toronto at Mississauga Chemistry Undergraduate teaching laboratories renovations at a revised total project cost not to exceed $6.74 million, with funding from the University of Toronto at Mississauga operating budget and with the additional cost to be funded by internally reallocating committed monies from other planned projects at UTM.

15. University *Environmental Protection Policy*: Revision

Mr. Swail said that the 1994 *Environmental Protection Policy* was a very innovative one at the time it was approved, but it was currently in need of revision. The policy in its unrevised form was focused on the St. George Campus. It placed full responsibility for environmental matters on one department: the Facilities and Services Department. It contained detailed information on implementation; in particular it established and specified a role for an Environmental Protection Advisory Committee. That Committee no longer met; it had been replaced by a number of other committees. The proposed, revised policy recognized that responsibility for environmental protection and sustainability was a broad-based one, across the University organization. That was reflected in the operations of Sustainability Offices on all three campuses and a broadly representative Sustainability Board. The proposed policy eliminated the details of implementation to provide for flexibility in implementation and for a much wider assignment of responsibility for aspects of sustainability. The proposal had been reviewed at the Tri-Campus Sustainability Board and had been endorsed by the committee of senior Vice-Presidents. Ms Riggall noted that the date of the proposed policy, November 2009, should be corrected to April 2010.

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

THAT the proposed revised University *Environmental Protection Policy*, a copy of which is attached hereto as Appendix "D", replacing the Policy approved by the Business Board on March 7, 1994.

16. Ancillary Operations: Residential Housing – Operating Results for 2009-10 and Budget, 2010-11

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

The operating budget for the St. George Campus Residential Housing Ancillary for 2010-11, as contained in the "2010-11 Budget" column of Schedule 1 to the "Overview of Operations and Business Plan for 2010-2015"

17. Date of Next Meeting

The Chair reminded members that the final regular meeting of the academic year was scheduled for **Thursday, June 17, 2010** at 5:00 p.m. That meeting would, among other things, consider the report of the Audit Committee on the audited financial statements for 2009-10.

THE BOARD MOVED INTO CLOSED SESSION

18. Closed Session Reports

Professor Hildyard reported on the status of negotiations with the Faculty Association concerning salary and benefits. The process was about to move into the final phase: discussion by a Dispute Resolution Committee, in effect a process of arbitration.

Professor Hildyard and Ms Riggall reported on the progress of discussions aimed at the establishment of the planned Pension Committee, pursuant to the recent arbitration award arising from negotiations between the University and the Faculty Association.

THE BOARD MOVED *IN CAMERA*

19. Real Estate Transaction

Mr. Shabbar presented a proposal for a real-estate transaction and responded to questions.

On the recommendation of the Vice-President, Business Affairs,

YOUR BOARD APPROVED

The real-estate transaction described in Mr. Shabbar's confidential April 14, 2010 memorandum to the Business Board.

REPORT NUMBER 181 OF THE BUSINESS BOARD – April 26, 2010

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:10 p.m.

Secretary Chair

May 13, 2010

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