



# University of Toronto

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VICE-PRESIDENT, BUSINESS AFFAIRS

TO: Business Board

SPONSOR: Catherine Riggall

CONTACT INFO: 416-978-7473, catherine.riggall@utoronto.ca

DATE: November 13, 2007 for November 19, 2007 and December 17, 2007

AGENDA ITEM: 3 (c)

## **ITEM IDENTIFICATION:**

Business Board Terms of Reference

## **JURISDICTIONAL INFORMATION:**

Business Board terms of reference are approved from time to time by Governing Council.

## **PREVIOUS ACTION TAKEN:**

## **HIGHLIGHTS:**

The Business Board terms of reference outline, inter alia, the Board's responsibilities with respect to financial matters. The following changes are proposed to the Business Board terms of reference to 1) clarify roles and responsibilities with respect to the University of Toronto Asset Management Corporation (UTAM) and 2) to clarify roles and responsibilities with respect to the Pension Statement of Investment Policies and Procedures.

### **1. Roles and responsibilities with respect to UTAM:**

The current Business Board terms of reference provide for "approval of the conditions for the delegation of authority to a University-controlled asset management corporation for the management of the investment of University funds and pension funds, including provisions for the appointment of an expert Board to oversee the work of that corporation and arrangements for the appointment and removal of its members".

We are proposing changes to the Business Board terms of reference to clearly specify the roles and responsibilities of the Business Board, the President or designate, and UTAM, in accordance with the separate agenda items on these matters tabled at the November 19<sup>th</sup> meeting of the Business Board. The proposed terms reference provide for:

- Business Board approval of the delegation of authority to UTAM (no change, except for removal of the words “conditions for”).
- Business Board approval of provision for the appointment of an expert Board to oversee the work of that corporation and arrangements for the appointment and removal of its members (no change).
- Business Board approval of the investment policies for University funds and pension funds (no change except for less specificity regarding policy content).
- Business Board receipt of reporting on investment performance (no change, except for less specificity regarding report content).
- President or designate responsibility for the establishment of an investment management agreement between the University and UTAM (changed from Business Board approval, and to bring this contract in line with other contracts in the normal course of business).

## **2. Roles and responsibilities regarding the Pension Statement of Investment Policies and Procedures (SIP&P):**

At the present time, the SIP&P is approved by the Business Board. It contains the following elements:

- Pension master trust investment policy approved by the Business Board.
- Excerpt from service agreement approved by the Business Board.
- UTAM pension master trust investment policy, containing elements approved by the UTAM Board.

In approving the overall document, the Business Board is essentially endorsing its trust in the UTAM Board with respect to the UTAM investment policy. However, this is awkward since the Business Board has already delegated the authority for establishing the components of that UTAM policy to UTAM.

The Governing Council of the University of Toronto is the legal administrator of the pension plans. The Governing Council of the University of Toronto encompasses the Governing Council, its boards and committees, the president or designate (i.e. the University administration) and the controlled subsidiaries of the University, including UTAM.

The regulation of the Financial Services Commission of Ontario requires the Pension Administrator to establish a SIP&P.

To clarify and streamline this process, we propose that the Business Board delegate authority to the President or designate for establishment of a SIP&P through the compilation of, but not limited to

- Pension master trust investment policy, as approved by Business Board.
- Delegation of authority from the University to UTAM, as approved by Business Board.
- UTAM pension master trust investment policy, containing elements approved by UTAM Board.

The Business Board terms of reference have been revised to reflect this proposed change.

**FINANCIAL AND/OR PLANNING IMPLICATIONS:**

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**RECOMMENDATION:**

For the December 17, 2007 meeting of Business Board:

That the Business Board recommend to Governing Council the approval of its revised terms of reference, attached as appendix 1.