



TO: Business Board

SPONSOR: Richard Nunn, Chair of the Business Board

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DATE: April 8, 2008 for April 28, 2008

AGENDA ITEM: 4(a)

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:

The Business Board reviewed initial drafts of proposed changes to the Business Board Terms of Reference on November 19, 2007.

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:

Following the November meeting it was decided that another review of the documents was needed including a legal assessment. The documents have since been reviewed by external legal counsel and some non-substantial changes have been made to the documents, as described below.

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 April 28th 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 negotiation and settlement of an investment management agreement between the University and UTAM (changed from requiring 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:

- University of Toronto Pension Fund Master Trust Investment Policy approved by the Business Board.
- Excerpt from service agreement approved by the Business Board.
- UTAM Pension Fund Master Trust Investment Policy 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.

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

- University of Toronto Pension Fund Master Trust Investment Policy, as approved by Business Board.
- Delegation of Authority from the University to UTAM, as approved by Business Board.
- UTAM Pension Fund Master Trust Investment Policy approved by UTAM Board.
- Investment Management Agreement between University of Toronto and UTAM

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

FINANCIAL AND/OR PLANNING IMPLICATIONS:

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RECOMMENDATION:

That the proposed, revised section 5.1 of the Business Board Terms of Reference, “Financial Policy and Transactions,” a copy of which is attached to Richard Nunn’s memorandum to the Business Board dated April 8, 2008, be approved.