

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 168 OF THE BUSINESS BOARD

September 22, 2008

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, September 22, 2008 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn, (In the Chair)	Professor Cheryl Misak, Interim
Mr. Geoffrey Matus, Vice-Chair	Vice-President and Provost
Dr. Alice Dong, Vice-Chair	Mr. David Palmer, Vice-President and
of the Governing Council	Chief Advancement Officer
Ms Catherine J. Riggall, Vice-	Ms Judith Wolfson, Vice-President,
President, Business Affairs	University Relations
Professor Angela Hildyard,	Ms Sheila Brown, Chief
Vice-President, Human Resources	Financial Officer
and Equity	Mr. Louis R. Charpentier, Secretary of the
Mr. David Asper	Governing Council
Ms Mary Anne Elliott	Ms Anne E. MacDonald, Director,
Dr. Gerald Halbert	Ancillary Services
Ms Paulette L. Kennedy	Ms Christina Sass-Kortsak, Assistant
Mr. Gary P. Mooney	Vice-President, Human Resources
Ms Anna Okorokov	Mr. Nadeem Shabbar, Chief Real Estate
Ms Jennifer Riel	Officer
Professor Arthur S. Ripstein	Mr. Ron Swail, Assistant Vice-President,
Mr. Stephen C. Smith	Facilities and Services
Mr. John Varghese	
Ms B. Elizabeth Vosburgh	Mr. Neil Dobbs, Secretary
Mr. Larry Wasser	

Regrets:

Ms Susan Eng	Mr. Jim Linley
Mr. David Ford	Mr. George E. Myhal
Mr. Steve (Suresh) Gupta	Mr. David Oxtoby
Dr. Joel A. Kirsh	Mr. W. David Wilson
Dr. Stefan Mathias Larson	

In Attendance:

Ms Karen Coll, Managing Director, Public Markets, University of Toronto Asset Management Corporation
Mr. Ira Gluskin; Chair of the Board, University of Toronto Asset Management Corporation
Dr. Anthony Gray, Special Advisor to the President

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In Attendance (Cont'd)

Mr. John Hsu, Managing Director, Risk Management and Operations, University of Toronto Asset Management Corporation

Ms Deepa Jacob, Research and Policy Analyst, Office of the Vice-President, Business Affairs

Mr. John Lyon, Managing Director, Investment Strategy, University of Toronto Asset Management Corporation

Professor George Luste, President, University of Toronto Faculty Association

Ms Carole Moore, Chief Librarian

Mr. William W. Moriarty, President and Chief Executive Officer, University of Toronto Asset Management Corporation

ALL ITEMS ARE REPORTED FOR INFORMATION.

1. Report of the Previous Meeting - Report Number 167 – June 19, 2008

Report Number 167 (June 19, 2008) was approved.

2. Investments: Investment Management at the University of Toronto

The Chair welcomed Mr. Gluskin and Mr. Moriarty, and Mr. Moriarty introduced the three managing directors from the University of Toronto Asset Management Corporation (UTAM). Mr. Moriarty presented his report on investment management at the University. (A copy of the slides used for the presentation is attached hereto as Appendix “A”.) He noted that he had joined UTAM five months previously and he was learning about the organization and the investment portfolios. He was very impressed by UTAM’s operations, and he was currently working with the management team to review the asset mix and to refine the investment strategy. He observed that current market conditions were challenging, and that it was very important in such conditions to stay with the investment policy and plan. Doing so would represent better governance and would result in better results in the long term.

Several matters arose in response to members’ questions.

(a) Diversification of investments in hedge funds and the number of managers.

Mr. Moriarty said that UTAM’s portfolio of hedge funds was highly diversified with 31 managers. Because sixteen of those were managers of funds of funds, UTAM’s investments were in fact under the direction of approximately 390 individual hedge-fund managers. UTAM was now moving from funds of funds to direct investments in order to have more control over the strategies being used, in order to avoid earning only the same return as a diversified hedge-fund index, and in order to avoid the second layer of fees involved in funds of funds. Nonetheless, because there were limits on the transparency and liquidity of hedge fund investments, it would be very important for the portfolios to remain highly diversified.

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2. Investments: Investment Management at the University of Toronto (Cont'd)

(b) Currency hedging. UTAM had since early in 2007 hedged its foreign currency investments back to the Canadian dollar, and with the increase in the value of the dollar that had served the University very well. However, UTAM's bias was not to continue the practice of full hedging into the future, especially after the increase in the Canadian dollar's value.

(c) Cash holdings. Mr. Moriarty said that, in the light of recent market developments, it would have been helpful if UTAM had retained more than the current 6% of its major portfolios in cash. UTAM currently intended to reduce the level of cash over the next six to nine months to take advantage of opportunities to purchase low-priced securities, but such actions would depend on developments in the securities markets, which were now highly volatile.

3. Investments: Semi-Annual Report: Update on Investment Performance

Mr. Moriarty reported on investment performance to June 30, 2008 (see slide 56 of Appendix "A" to this report).

A member observed that returns for the major funds had not added value relative to market benchmarks. Mr. Moriarty replied that the outcome had been the result of the returns at the end of the reporting period. To the end of 2007, on the other hand, returns had exceeded the market benchmark for four out of five years for the Long-Term Capital Appreciation Pool (primarily the endowment funds) and for three out of five years for the pension fund.

The Chair asked Mr. Gluskin to accept, and to convey to the other UTAM directors, the University's and the Business Board's gratitude for the contribution of their very valuable time and expertise. He also noted that Max Gluskin Hall, the renovated home of the Department of Economics, would be formally opened shortly – something else for which the University was very grateful to the Chair of the UTAM Board.

4. Endowments: Annual Report for the year ended April 30, 2008

The Board received for information the annual report on the endowment funds for the year ended April 30, 2008.

A member asked about the 41.3% increase in expenses for the management of the endowment, something that was especially notable in the light of the change from a high rate of return in 2006-07 to a loss in 2007-08. Ms Brown replied that the increase was the outcome of a change in the endowment pool's investments to include a significant proportion of hedge funds and private-market funds. The fees for the latter were particularly high in the first years of such investments. Those investments were, however, expected to provide a substantial boost to returns compared to conventional investments; it was therefore important to take a longer term perspective on their costs.

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The Board received for information the report on capital projects under construction (forecast cost of \$186.92-million) and on projects occupied but not formally closed (forecast cost of \$431.31-million) as at August 31, 2008.

6. Status Report on Borrowing as at August 31, 2008

The Board received for information the report on borrowing as at August 31, 2008. That report showed borrowing capacity of \$948.0-million pursuant to the University's policy; borrowing allocated (net of repayments that could be reallocated) of \$854.3-million, actual external borrowing of \$556.3-million, and internal borrowing outstanding of \$146.9-million.

7. Capital Project: Robarts Library Renewal and Expansion – Partial Implementation

Mr. Shabbar presented the proposal for partial implementation of the Robarts Library Renewal and Expansion project. The project would result in the renovation of 122,385 square feet of space. The University planned at a later date to complete further renovation and to construct a new five-storey pavilion on Huron Street. Of most importance would be the addition of a large amount of study space (1,485 places) that would do a great deal to improve the student experience. The cost of the work would amount to about \$192 per square feet, which was reasonable for such renovations. In response to a question, Mr. Shabbar said that the proposal consisted of ten of the highest priority smaller projects within the current Robarts Library building.

On the recommendation of the Vice-President, Business Affairs

YOUR BOARD APPROVED

THAT the Vice-President, Business Affairs be authorized to execute high priority elements of the Robarts Library Renewal Project at the University of Toronto at St. George at a total project cost not to exceed \$24,400,000, with funding as follows:

Ontario Government	\$15,000,000
Graduate Expansion Fund	1,550,000
Donations	7,241,935
Other funds in hand	608,065

8. Health and Safety Requirements: Report on Compliance

The Board received for information the report of the Vice-President, Human Resources and Equity, dated September 12, 2008, on compliance with health and safety requirements.

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9. Approvals under Summer Executive Authority: Annual Report

The Board received for information the report on matters within the authority of the Business Board approved in 2008 under summer executive authority:

(a) Business Board: Appointment of a Co-opted Lay Member

THAT Mr. Steve (Suresh) K. Gupta be appointed as a co-opted lay member of the Business Board for a term effective immediately and continuing to June 30, 2010.

(b) Real Estate Transaction: Acquisition of 172 St. George Street

THAT the Vice-President, Business Affairs be authorized

- a) to arrange the purchase of the 172 St. George Street building at a cost of \$5.9-million;
- b) to approve the final agreements and conditions; and
- c) to arrange the necessary financing.

10. Calendar of Business, 2008 – 09

The Board received for information its Calendar of Business for 2008-09, showing the items planned to come before the Board. The Chair stressed that the Calendar of Business was subject to change. The timing might not be precise. Changes might arise for a variety of reasons, including the emergence of new priorities and issues. The Chair invited members to speak with the Secretary if there were matters within the Board's terms of reference that were not on the Calendar that members thought the Board should consider. A consolidation of the calendars of business of all Governing Council Boards and Committees was available on the Governing Council website and was updated weekly.

11. Report Number 88 of the Audit Committee – June 18, 2008

The Chair recalled that the Business Board, at its meeting in June, had endorsed the recommendations of the Audit Committee to approve the audited financial statements and to appoint external auditors. The Board received for information the written Report of the Audit Committee's meeting, which recorded the Committee's consideration of those items and others that had not come forward for Board action.

12. Date of Next Meeting

The Chair reminded members that the Board's next regular meeting was scheduled for Monday, November 10, 2008 at 5:00 p.m. The main theme would be Advancement and Alumni Relations.

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13. Other Business

255 McCaul Street

Mr. Swail described the highly successful renovation of 255 McCaul Street, the former Toronto Board of Education warehouse, which was now the site of the St. George Campus examination centre, the Facilities and Services group and the Real Estate Operations / Capital Projects group. Members were warmly invited to visit the building for the reception that would follow adjournment of the meeting.

THE BOARD MOVED INTO CLOSED SESSION

YOUR BOARD RESOLVED

THAT pursuant to section 33(i) of By-Law Number 2, the Board meet in closed session to consider items 14 and 15 below and meet *in camera* to consider item 16, with any members of the Governing Council, any assessors, and any non-members named by the assessors invited to remain to assist the Board in its consideration of those items.

14. Real Estate Acquisition

Mr. Shabbar presented a proposal for a real-estate acquisition. After discussion, the Board approved the proposal.

15. Quarterly Report on Gifts and Pledges over \$250,000, May 1 – July 31, 2008

The Board received for information the Quarterly Report on Gifts and Pledges over \$250,000, May 1 – July 31, 2008, which had been placed on the table for the meeting. A brief discussion followed with respect to the University's policy with respect to naming in recognition of donations.

16. Tentative Collective Agreement: Pension Changes for the United Steelworkers of America, Local 1998 (representing most administrative staff employees)

Professor Hildyard outlined the main terms of the collective agreement with the United Steelworkers of America, the union representing the largest portion of the University's administrative staff. Business Board ratification was required for that aspect of the agreement dealing with the pension plan.

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16. Tentative Collective Agreement: Pension Changes for the United Steelworkers of America, Local 1998 (representing most administrative staff employees) (Cont'd)

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

YOUR BOARD APPROVED

THAT authority be delegated to the Administration to take the steps necessary to implement the Temporary Early Retirement Window (in effect for the period which ended June 30, 2008) for the period July 1, 2010 to December 31, 2011, if under the actuarial valuation as of July 1, 2010 there is no Going Concern Unfunded Liability and no Solvency Deficiency.

In the course of discussion, a member observed that the agreement was an appropriate one that should be ratified. The Board should, nonetheless, recognize that the cost of the agreement was unlikely to be matched by the level of future increases in funding. Following the discussion, Professor Hildyard expressed her gratitude to Ms Sass-Kortsak, who had borne most of the burden of negotiating on behalf of the University.

THE BOARD RETURNED TO OPEN SESSION

The meeting adjourned at 6:50 p.m.

Secretary

Chair

October 6, 2008