AMENDED

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 170 OF THE BUSINESS BOARD

December 15, 2008

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, December 15, 2008 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Richard Nunn (In the Chair)
Mr. Geoffrey Matus, Vice-Chair
Mr. John F. (Jack) Petch, Chair of the Governing Council
Professor C. David Naylor, President
Ms Catherine J. Riggall, Vice-President, Business Affairs
Professor Angela Hildyard, Vice-President, Human Resources and Equity
Mr. David Asper
Mr. David Ford
Mr. Steve (Suresh) Gupta
Dr. Gerald Halbert
Mr. David Oxtoby
Ms Jennifer Riel
Professor Arthur S. Ripstein
Ms B. Elizabeth Vosburgh
Mr. Larry Wasser
Mr. W. David Wilson

Professor Cheryl Misak, Interim Vice-President and Provost

Mr. David Palmer, Vice-President and Chief Advancement Officer
Ms Judith Wolfson, Vice-President, University Relations
Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing Council
Ms Rivi Frankle, Chief Operating Officer, University Advancement, and Assistant Vice-President, Alumni Relations
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
Professor Safwat Zaky, Vice-Provost, Planning and Budget

Mr. Neil Dobbs, Secretary

Regrets:

Ms Mary Anne Elliott
Ms Susan Eng
Ms Paulette L. Kennedy
Dr. Joel A. Kirsh
Dr. Stefan Mathias Larson
Mr. Jim Linley
Mr. Gary P. Mooney
Mr. George E. Myhal
Ms Anna Okorokov
Mr. Stephen C. Smith
Mr. John Varghese

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In Attendance:

Ms Sheree Drummond, Assistant Provost
Dr. Anthony Gray, Special Advisor to the President
Ms Deepa Jacob, Research and Policy Analyst, Office of the Vice-President, Business Affairs
Professor George Luste, President, University of Toronto Faculty Association
Mr. William W. Moriarty, President and Chief Executive Officer, University of Toronto Asset Management Corporation
Mr. Henry T. Mulhall, Assistant Secretary of the Governing Council
Mr. Pierre G. Piché, Controller and Director, Financial Services
Mr. Allan Shapira, Hewitt Associates
Ms Meredith Strong, Director, Office of the Vice-President, University Relations

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

The Chair said that the main theme for the meeting was the pension plans. A very important secondary theme was the annual report of the Vice-President, University Relations. The Board also had a number of other substantial matters on its agenda, including the annual report of the Senior Appointments and Compensation Committee.

1. Report of the Previous Meeting

Report Number 169 (November 10, 2008) was approved.

2. Senior Appointments and Compensation Committee: Annual Report, 2007-08

The Chair said that the Report before the Board had been approved by the Senior Appointments and Compensation Committee on Wednesday, December 10. The report had been distributed electronically and hard copies had been left at members' places.

Mr. Petch said that the Senior Appointments and Compensation Committee consisted of several senior, external members of the Governing Council: the Chair and Vice-Chair, the Chair of the Business Board, an alumni member of the Governing Council selected by the Chair after consultation with the alumni governors, and a member of the Business Board selected after consultation with the Chair of the Board. The current year's membership included: Ms Alice Dong, Mr. Richard Nunn, Mr. David Wilson and Mr. Stephen Smith, as well as himself. The external nature of the membership was intended to ensure independence. The President was the only internal member, and he participated fully in the Committee's decisions, apart from those that concerned him personally. The Vice-President and Provost, and the Vice-President, Human Resources and Equity, participated when appropriate as Non-Voting Assessors. The Committee was responsible for making decisions concerning compensation of the University's most senior officers. It oversaw decision-making by the President concerning senior academic administrators and senior administrative staff. The Committee also approved certain appointments. The Committee was charged to make an annual report to the Business Board to attest that appropriate compensation policies and programs were in place for senior officers and that decisions about compensation had been taken in accordance with

2. Senior Appointments and Compensation Committee: Annual Report, 2007-08 (Cont'd)

them. Mr. Petch, on behalf of the Committee, confirmed that such policies were in place and that decisions had conformed to them.

Mr. Petch outlined the major elements of the Committee's work for the year, which had included approval of a compensation framework for members of the University's executive team and another compensation framework for Principals and Deans. Both frameworks were intended to promote consistency for senior employees who were outside of the usual salary scales. The frameworks included a sliding scale for merit increases. That prevented an unacceptable widening of differences in terms of absolute dollars. The Committee had reviewed the annual report on faculty salaries, including comparative data both from Canadian universities and peer public universities in the U.S. It had reviewed and approved the President's recommendations on terms and conditions of new senior appointments above the level of Principal and Dean, and it had reviewed and approved annual adjustments for that group. The Committee normally approved of the President's annual adjustment, but the President, as an act of leadership, had declined to be considered for an increase in compensation for the past several years. The Committee had approved compensation arrangements for those individuals who reported directly to the Governing Council: the Secretary of the Governing Council and the Ombudsperson. The Committee now approved new senior administrative appointments where they did not require full Governing Council approval. For 2007-08, they had been the appointments of the Assistant Vice-President, Student Life and the Chief Information Officer. Finally, the Committee had reviewed and recommended approval by the Business Board of two policies for professional and managerial staff: the policies on compensation and on problem-resolution. In two cases, the Committee would, in May 2009, review two-year reports on the President's decisions. The first would deal with compensation for principals, deans and certain other division heads. The second would deal with compensation for the most senior members of the non-academic staff. Mr. Petch concluded that the Senior Appointments and Compensation Committee was moving towards more of a role in areas of broad policy and a lesser role in approving individual compensation decisions.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008

The Chair stated that the annual report on the pension plans had been carefully reviewed by the Audit Committee. The audited financial statements required the Board's approval prior to their submission to the Financial Services Commission of Ontario. The rest of the report was for information, intended as a basis for the Board's annual review of the financial aspects of the plans.

Ms Brown noted that the annual report on the pension plans was presented in its current format for the second year. It was similar to the previous year's report, but it included a few enhancements to take into account members' comments. It included an explanation of the operation of defined-benefit pension plans in general and of the University of Toronto's plans in particular. Ms Brown would summarize the highlights of the annual report, and she would update the report by providing current information on the investments forming the plan's assets. Finally, she would report on certain sensitivity analyses concerning the plan, in particular the outcome of using different discount rates to determine the amount of the plans' liabilities.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

The Report dealt with the University's three pension plans. The two registered plans were: (a) the main pension plan, and (b) a closed plan for people who were employees of the Ontario Institute for Studies in Education before its merger with the University's Faculty of Education. In addition, the University had a non-registered Supplemental Retirement Arrangement (S.R.A.) for employees whose salaries would result in a pension above the statutory maximum for registered plans.

- **Operation of defined benefit pension plans**. The University's objective in managing the finances of its defined-benefit pension plans was to keep the pension promise – to provide the stream of payments promised to retirees and to the active employees in the plan when they retired. The liability of a defined-benefit plan was the amount of money required in the plan at a given time to provide the promised future stream of payments to pensioners. The liability depended on the number of participants in the plan and their ages, their salaries, the benefits promised to them, and the assumptions that were used to forecast the liabilities. The assets used to provide the stream of payments to pensioners could come from only two sources: (a) contributions by the University and the active members of the plan, and (b) the investment earnings on those contributions. From those sources were deducted the cost of pension payments and of fees and expenses. The difference between the value of the assets and the amount of the liability determined the market surplus or deficit in the pension plan.

- **Tools for assessment of the pension plans**. All of the various tools for assessing the value of the plans as at the valuation date, July 1, 2008, were included in the report.

  First, the report contained the financial statements of the two registered pension plans, which included an audited verification of the existence and value of the plans' assets as at June 30, 2008.

  Second, the report included the funding valuations prepared by the actuaries. The first valuation was the going-concern valuation of the two registered plans and the S.R.A. The going-concern valuation was used throughout the text of the report in light of the assumption that the University would remain a going concern whose operations would continue indefinitely.

  The text of the report also used the market value of the assets in the pension funds as at the valuation date. The actuarial valuations of the assets of the registered plans, also showed a smoothing mechanism to reduce the full effect of gains or losses in the market value of the assets in any individual year.

  The second valuation was the solvency valuation prepared by the actuaries in accordance with the requirements of the Financial Services Commission of Ontario. The solvency valuation used the hypothesis that the plans had been wound up on the valuation date. It then assumed that the promised benefits would be provided, excluding their partial

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

indexation to compensate for three quarters of the increase in the consumer price index.

The final valuation was a hypothetical wind-up valuation. It too was based on the premise that the plans had been wound up as of July 1, 2008. In the case of that valuation, however, it was assumed that full pension benefits would be provided including indexing.

The final tool was the accounting valuation included in the University's own audited financial statements. There was always a considerable discrepancy between the numbers in the University's audited financial statements and those in the pension plan report. The audited financial statements were prepared as at April 30 and the pension plan report as at July 1. In addition, the pension-plan report took into account the assets set aside by the University to meet its obligations with respect to the S.R.A. as well as the liability with respect to that Arrangement. Those assets were not accounted for separately in the University's financial statements, apart from information in a note. Finally, the University's audited financial statements were prepared in conformity with accounting requirements.

- **Pension plan funding status as at July 1, 2008**. As at July 1, 2007, the three pension plans, taken together, had a surplus amounting to 7% of their liabilities. As at July 1, 2008, that had become a deficit amounting to 4% of their liabilities. That change partly reflected a loss of 5.9% on the investments of the plans over the 2007-08 year. Ms Brown noted that that combined information was essential to understanding the overall financial position of the pension plans; however, monies could not be transferred from either registered pension plan to another plan or to other purposes.

- **Going concern liabilities**. Over the past ten years, the liabilities of the main registered plan had nearly doubled to $2.9-billion. There had been no benefit improvements over the past year and there had been no changes in the actuarial assumptions. The liability for the OISE plan had declined somewhat to $104-million at the 2008 valuation. The number of participants in the registered plan had grown by 526, while those in the OISE plan had declined by 30.

- **Assets**. Looking at the assets in the three plans over the past ten years, there had been an increase in their combined value in the years ending July 1, 1999 and 2000. Owing to declines in the securities markets, the value of the assets had declined in 2001, 2002 and 2003. The assets had then grown substantially in the good market conditions in 2004 – 2007, including a 20.0% gain in 2006-07. The assets had then declined by 5.9% in the poor investment climate in 2007-08.

  Over the 2007-08 year, the combined assets in the three plans had been increased by $126-million as the result of current service contributions by plan members and by the University and as the result of special payments by the University. That had, however, been more than offset by the 5.9% investment loss, by $136.4-million in pension payments, and by fees

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

and expenses. Ms Brown noted that the $136.4-million cost of pension payments over the year had been matched in significant part by the $126.4-million of contributions and special payments. Fees and expenses had formed 0.85% of assets in 2007 but had increased to 1.04% in 2008. Some investment management fees had gone down because of the decline in the value of the assets, but others had gone up because of the higher fees required to pay the investment managers for various alternative asset classes, which were expected to provide higher investment earnings over time and into which assets were being invested over time.

- **Surpluses and deficits**. Looking at the overall position of the pension plans over the past ten years, the combined plans had been in surplus for the years ending July 1, 1999, 2000, 2001 and 2002, with the largest surplus in the main registered plan being $579.2-million in 2000. The plans had then dropped into a deficit position for the years 2003-06, with the largest deficit in the main registered plan being $203.5-million, occurring in 2002. The plans had entered a surplus position in 2007, and had then fallen into a deficit for 2008.

  Ms Brown noted that the Supplemental Retirement Arrangement (S.R.A.) had been established in 1997 with the intention of setting aside sufficient funds to match its full liability within five years. The benefits under the S.R.A. had subsequently been improved, and it had become fully funded in 2005. It was in a surplus position as at July 1, 2008. The maximum pension under the Income Tax Act had been increased annually, increasing the liabilities of the registered plans but reducing the liability of the S.R.A.

- **Summary of changes to the financial position of the main registered plan, 2002-08**. Ms Brown noted that the accrued liability of the plan had grown from $1.853-billion in 2002 to $2.890-billion in 2008. Just as it was assumed that the assets would earn money over time at an assumed rate of interest, so too the cost of the future stream of pension benefit payments was discounted by that same rate. Therefore the total liability of the plan increased over time by that unwinding of that discount rate. The unwinding of the discount on the liabilities between 2002 and 2008 had increased the total liability by $905.7-million. Additional benefits of $480.6-million had been earned by plan members, again increasing the liability. Benefits paid out had been $708.7-million, reducing the liability. The liability had increased by $56-million owing to experience with respect to the liability that was different from that assumed. The liability had been increased by a further $99.3-million because of pension benefit improvements. The increase in the maximum pension permitted under the Income Tax Act had increased the liability by a further $60.5-million. Finally, changes to the actuarial assumptions used to value the liability had increased it by $143.3-million.

  The assets in the plan had grown from $1.940-billion in 2002 to $2.724-billion in 2008. Investment returns, net of fees, had been $989-million. Contributions by the University and plan members had further increased the assets by 503.9-million. Benefit payments had reduced the assets by $708.7-million.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

Overall, the liability had increased by 56% and the market value of the assets by 46%.

- **Impact of any change to the discount rate for the liabilities**. The discount rate to reduce the future liabilities of the plan to their present value was the same as the assumed real (after-inflation) rate of return on the assets: 4%. That in turn was the target rate of return in the Pension Fund Master Trust Investment Policy. If the discount rate (and the assumed future real rate of investment return) were to be reduced from 4% to 3.75%, the deficit in the main registered plan would increase from $165.4-million to $259.6-million. Every 0.25% reduction in the discount rate would increase the deficit by about $90-million. Similarly, a reduction in the discount rate from 4% to 3.75% would increase the annual current service cost of the plan from $69-million to $74.4-million. It the discount rate were to be reduced to 2% to reflect the minimum-risk real rate of return on investments (provided by Government of Canada real-return bonds), the current service cost would increase to $129-million per year.

- **Market turmoil in late 2008**. Ms Brown observed that equity markets had fallen globally during the latter half of 2008. The three-month return on the pension fund from July 1 to September 30, 2008 had been -9.8%. October had been a particularly bad month on the world's markets, and for the four months ended October 31, the return had been -21.3%. Final figures for November were not yet available, but the market had been relatively flat for the month. The meaning of the market turmoil was not clear at this time. Markets went up and down, and they were currently down a great deal. Pension plans, however, invested for the long term. Volatility was to be expected. Therefore, the Financial Services Commission of Ontario required the submission of actuarial valuations only every three years. The University was not required to submit another valuation until that for July 1, 2010. That would provide time to determine how the current market turmoil would play out – presumably to determine the extent and the timing of the recovery. The University would in the meanwhile have the opportunity to reconsider its pension contribution policy and its investment policy, which were completely interdependent. Work was being done with respect to pension plans in Ontario generally, in particular concerning the time allowed for additional contributions, beyond current service contributions, to deal with deficits. The University would therefore over the next year and one half consider the appropriate course of action to take over time.

The Chair invited Professor Luste to speak. Professor Luste noted that faculty and librarians represented $2-billion or 65% of the pension plans' assets and liabilities. They were therefore major stakeholders in the plan. The information in the current financial report on the pension plan was very much improved over that provided some years ago, but it was still not as good as it should be. The pension promise dealt with the future, and no-one could foresee the future. It was, however, clear to him that the pension plan was very seriously under-funded. That under-funding had been brought out by the current market turmoil, but it had been present all along. The report presented three valuations, with different deficits depending on different assumptions. He thought that the going-concern valuation depended on an over-optimistic return assumption and discount rate, and the solvency valuation ignored the cost of pension indexation.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

He therefore regarded the wind-up valuation as the most realistic of the three. The pension plan would, however, continue, and a number of serious issues had to be addressed.

Professor Luste stated his view that the key problem underlying the under-funding of the pension plan was that the University had for fourteen years, beginning late in the 1980s, made no employer contributions to the plan. For four years, it had made only partial contributions. Of course, in the past three years, it had made extra contributions. What was unfortunate was that the absence of contributions had come during a period of very strong returns in the markets, meaning that the absence of contributions had a very substantial opportunity cost. If the missing amount of contributions had earned the same investment return as the remainder of the pension fund, there would currently be an additional $1.4-billion in the fund. If the amount arising from the faculty's contribution holiday had also been added to the fund, it would be $1.5-billion more than its current value. That amount represented over one-half of the value of the assets currently in the plan. The issue was, therefore a very serious and a very fundamental one. Professor Luste commented that failing to make the current service contributions was akin to not feeding an individual adequately. While the individual might remain alive, it was not appropriate to assume that she/he was in satisfactory condition. Professor Luste was not aware of a good way of dealing with the problem of under-funding. He was concerned that it was too easy to transfer the obligations of a defined-benefit plan to future generations to deal with. The current generation could all too easily escape accountability in that way.

Professor Luste said that another major issue was that expenses continued to increase. In 1990, expenses had amounted to less than $2-million. They had since increased to more than $27-million. The unit cost, in terms of basis points (where one basis point equaled 1/100 of 1%) also continued to increase. In the 1990s, expenses had amounted to about 20 basis points. In 2008, expenses had amounted to 104 basis points. The only acceptable reason for so large an increase in expenses would be an increase in investment returns, and he did not believe that such an increase had been provided.

Professor Luste said that a final issue concerned the role of the Business Board with respect to the pension plans. The Board had a fundamental conflict of interest. It was expected and required to serve both the best interests of the University and, as a fiduciary, to serve the best interests of members of the pension plan. The Board was in effect required to wear two hats, and it could not do that properly. The Faculty Association had, therefore, proposed a dramatically different means of governing the pension plan.

In the course of discussion, the President spoke, noting the important concerns raised by Professor Luste. The President said that there were a number of issues that he could also raise as concerns but did not wish to debate at this time. He would enumerate a few simply to set them aside. They included: the sharing of contributions, which was in many plans divided equally between the employees and the employer but in the University's plan required the University to assume full responsibility beyond a specified level of member contributions; the question of recurrent augmentation of benefits which had increased pensions for retired faculty members and librarians to cover the full increase in the cost of living; the history of improvements to retirement

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

benefits over the years; and the benefits to the University and to faculty members arising from use of the proceeds of the contribution holiday for such purposes as matching donations to the endowment, which had enabled recruitment of many outstanding staff and enriched the University accordingly. The President suggested that these matters, while also worthy of concern and debate, were secondary to the basic question raised by Professor Luste. In particular, the President shared Professor Luste's concern with defined-benefit pension plans and with the intergenerational pressure they could bring to bear on institutions and members of them. He therefore asked Professor Luste if the President of UTFA could propose a solution to this basic and pressing problem.

Professor Luste replied that it behooved all concerned first of all to understand the basis of the plan's problems and to discuss the realities of what had been done in the past to create the present problem. One key issue was the discount rate used in the actuarial valuation of the plans' liabilities and the interest rate used to estimate its long-term investment earnings. That rate was currently 4% after inflation. In 1986, that rate had been 2.5%. The increase appeared at the time to be appropriate, and it had generated the notional actuarial surplus – the surplus that was so large that the regulations of the Income Tax Act prohibited employer contributions for a number of years. However, in the industrialized world over the past 100 years, real gross domestic product had grown at a rate of between 1.5% and 3% with an average rate of 2%. Therefore, the only way a particular investment fund could obtain a real return above 2% over the long term was for other investors to earn a lower return. It was therefore clear that the assumption of a 4% real return was too high. It would, of course, be very difficult and costly to reduce the discount rate to 2% per year; it was not at all clear what source could be found for the necessary additional funding. It now appeared that the University would not complete another actuarial valuation until one was required for 2010. That was based on the assumption that the poor returns on the pension fund would come to an end. Delaying a new valuation, however, represented a very real risk. That risk would be added to other risks being taken with the pension plan. It was important in the present circumstances to be very clear about the risks being taken. One possibility that Professor Luste had discussed with the President was the possibility of giving newly hired faculty the option of a defined-contribution plan. The problem would be the transition from the current situation. Implicit in this consideration was the concern that the University must not lose the next generation of high-quality faculty by requiring them to bear the cost of making up for the appropriate level of funding required for the continuation of the defined-benefit plan as the ratio of contributors to beneficiaries fell over time. Professor Luste was concerned that the situation of the University of Toronto was almost unique among major universities. The major universities in the United States had defined-contribution plans and they did not therefore have the situation of risk of a new generation of employees having to provide the funding for the earlier generation of members of a defined-benefit plan. The idea that the employee bore the risk of a defined-contribution plan, whereas the employer bore the risk in a defined benefit plan, was at best only a half truth in the university environment because all members of the community, including employees, bore a burden from meeting the financial commitments made to former employees. Professor Luste concluded that he did not have a "magic bullet" to deal with the problem as it now existed.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

Ms Brown clarified that the University would continue to obtain an actuarial valuation annually. It was, however, not required to submit a valuation to the Financial Services Commission of Ontario until 2010, in the absence of benefit changes.

Discussion focused on the following matters.

(a) Investments in funds of hedge funds. A member asked whether the University had any exposure to the recently discovered alleged "Ponzi scheme" investments of the Bernard Madoff hedge fund. Mr. Moriarty replied that one of the funds of hedge funds in which UTAM invested had a holding in the Madoff fund. That investment, assuming no recovery, would represent a loss of about 18 – 20 basis points of the September 30 value of the pension fund. It would amount to about $5-million. The member commented that a benefit of this unfortunate experience would be the understanding of the need for more intensive due-diligence examinations of the holdings of the funds of hedge funds. Investors, including institutional investors, had tended to delegate responsibility for such due diligence to the managers of the funds of hedge funds and they had not required reports to investors on the details of those examinations. Mr. Moriarty agreed with the member's observation. He noted that a problem facing UTAM was that it currently held positions in fifteen or sixteen funds of funds, with investments in a combined total in excess of 400 underlying hedge funds. It was very difficult to understand fully the details of so many investments in those complicated funds. During the summer of 2008, UTAM had ceased to make any further investments in new hedge funds. It had hired a new staff member with expertise and considerable experience in hedge funds, and it had given notice of redemptions to six of the funds of funds. UTAM was also reviewing its investments in several other funds. It had adopted a very different process for consideration of its hedge fund investments and UTAM, like other investors, would be giving a much higher level of focus to due-diligence examination of such investments.

(b) University contributions to the pension plan. A member asked whether it was intended to commence extra contributions to the pension plan or to await any future requirement to make such contributions when the new actuarial valuation was submitted. Ms Brown recalled that the University was currently setting aside $27-million per year beyond the current service cost of the pension plans. If needed, some or all of that amount could be contributed to the registered plan. Beyond that, it would be appropriate to consider the need for any change to the contribution policy in the light of its interplay with the investment policy. There was simply too much volatility in the investment returns at this time to make possible any reasonable consideration of long-term policy. The member agreed that it was reasonable to anticipate that markets would recover, but he suggested that it would be preferable to risk an over-contribution than to risk being forced by regulation to make an even larger contribution at a later time. Ms Brown stressed that the $27-million per year set aside for pension contributions was a substantial amount that was considerably over and above the currently required special payment. The policy of setting aside an annual amount in excess of that required had been initiated in 2004 to fund deficits occurring at that time and to provide a reserving strategy. That strategy had resulted in some portion of the annual $27-million allocation being added to the Supplemental Retirement Arrangement as a reserve outside the registered plans. The surplus amount in the S.R.A., plus the $27-million amount included in the operating budget each year, could be contributed to the registered plan if that was appropriate.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

The President noted that defined-benefit pension plans were currently in trouble generally, including the plans sponsored by other universities. In some provinces, solvency tests had been set aside. There had been considerable discussion of how plan sponsors would make up funding shortfalls – in particular the time period allowed for plans to do so. It was important in considering this question to amplify a point that had been made by Professor Luste concerning who bore the burden of any additional funding required to return plans to a fully funded status. The question was not only one of the inter-generational sharing of the burden. The reality was that if there was a need for increased contributions, that could well affect faculty and staff directly. If additional funding were taken from general revenues, that too would indirectly affect faculty and staff, having a negative effect on their working conditions and reducing their ability to negotiate improvements in compensation. But, most significantly, it had to be recognized that any need for additional contributions from general revenue would affect the environment and the tuition fees of the University's students. General revenues required for additional pension contributions would be money not available to achieve the University's educational mission. It was important to be clear that any inter-generational spreading of the burden of additional pension contributions would affect the next generation of students as well as faculty and staff.

A member stressed that it would not be appropriate or professional to make long-term decisions on the funding for the pension plans on the basis of the events of a single year. Plan sponsors had been dealing with situations of under-funding from time to time over many years, and actuarial valuations were intended for the long term. Any decision-making should be based only on demonstrated long-term needs.

(c) Actuarial valuations of the plans. Ms Riggall commented on Professor Luste's view that the actuarial assumptions used for the valuation of the pension plans had been unduly optimistic since 1987. In fact, the assumptions used were very consistent with those used for the valuation of other plans. The average real return on the plans in the years since 1987 had in fact exceeded the assumed return and the discount rate. Actuarial reports on the plans had been filed over the years with the regulators, who established appropriate parameters for the valuations. The actuarial reports had been reviewed regularly with the actuaries engaged by the Faculty Association, who had expressed no concerns.

(d) Employer contribution holidays. Ms Riggall disagreed that problems with the funding of the registered plan had been caused by employer contribution holidays since 1987. While there had been employer contribution holidays in some of the years in which the plan was in surplus, such holidays were not taken in every such year. Members of the plan also received substantial benefits from the surpluses, including benefit improvements and employee contribution holidays. The Supplemental Retirement Arrangement had been established in 1997 with the University using the funding that was not required to fund the registered plan. In the years since 1997 when the registered plans were in surplus and the University was making contributions to funds reserved for the S.R.A., the Faculty Association was pressing in negotiations to have a member contribution holiday. Had the surplus in the registered plans continued to grow, Ms Riggall was sure that there would have been demands for further benefit improvements.

3. Pension Plans: Annual Financial Report for the Year ended June 30, 2008 (Cont'd)

(e) Allegation of conflict of interest. Ms Riggall disagreed that the administration, the actuaries and the Business Board had any undue conflict of interest in their roles with respect to the pension plans. It was true that each had to balance the many interests involved in making decisions concerning the plan. The actuaries were servants of the plan and not of the administration or the Business Board, and it would be inappropriate to imply that they did not comply with their professional duty in completing their valuation.

On the recommendation of the Audit Committee,

YOUR BOARD APPROVED

(a) the audited financial statements for the University of Toronto Pension Plan, June 30, 2008, and

(b) the audited financial statements for the University of Toronto (OISE) Pension Plan, June 30, 2008.

4. Investments: Pension Fund Master Trust Investment Policy

The Chair said that pension plan sponsors were required to complete an annual review of their statements of investment policy and goals, either amending their policy or reaffirming it.

Ms Brown said that the proposed investment policy was unchanged from the previous year. She stressed that the maximum 10% risk tolerance and the 4% real (after inflation) return targets were long-term numbers, expressed as ten-year averages. They were intended to provide to the University of Toronto Asset Management Corporation (UTAM) some flexibility in their pursuit of the return target. The policy had been changed in 2007 to stress the importance of staying within the risk tolerance. In situations when there was substantial volatility and the risk/return relationship changed dramatically, as at present, UTAM was expected to give priority not to seeking the 4% real-return target but rather to investing more conservatively within the University's long-term risk tolerance. UTAM could still make the short-term moves it deemed appropriate to achieve the long-term goals. The administration would be giving further consideration to the Investment Policy over the next months while at the same time considering the interrelated matter of contributions to the pension plan.

At the request of a member, Mr. Moriarty commented on the proposed Policy. The UTAM Board had in September reviewed the asset mix and the benchmark for the pension fund in connection with the proposed Investment Policy. The outcome of that review had been the conclusion that achieving the target return within the stated risk tolerance would not be at all easy but it would potentially be possible. That conclusion had been drawn before the extreme market downturn in October and the continuing vulnerable state of the markets. As market returns had continued to decline, UTAM management had with the aid of external advisors considered the question of the achievability of the 4% real return goal over ten years, and it continued to do so. At the present time, UTAM remained comfortable that the 4% real return

goal could be achieved within the 10% risk tolerance over ten years, although doing so would be challenging.

4. Investments: Pension Fund Master Trust Investment Policy (Cont'd)

The Chair advised the Board that he had engaged in discussions with the Vice-President, Business Affairs and the Chief Financial Officer about possible future development of the policy to include not only a long-term risk tolerance but also shorter term risk limits for situations of unusual stress. The University and UTAM might consider various scenarios of abnormal conditions and develop appropriate asset-mix and other limits to provide comfort that the pension fund portfolio was designed to remain within those limits in abnormal conditions.

Ms Brown said that the University had completed substantial work in the consideration of its risk tolerance. In particular, it had considered the practical meaning of the 10% long-term risk tolerance in the context of the probability that additional operating funding would be required. To deal with the risk related to pension fund returns, the University had developed its reserving strategy, building into its budget an amount of $27-million per year in addition to the plans' current service cost to provide for extra contributions if required. It had also concluded, with the advice of the actuaries, that there was a risk of just over one third that it would be necessary to increase that amount by 2011. (That analysis had been performed in early 2007.)

Mr. Moriarty said that the proposal for scenario testing was an excellent one. UTAM had in September begun to develop a model of its portfolio that would enable stress testing of the sort suggested. The outcome of the scenario testing would be very useful to UTAM, to the Business Board and to others in the University in considering the matter of risk tolerance.

The President asked about the effects of UTAM's investment in alternative asset categories such as hedge funds and private equity. Were the portfolios proving to be worse off, neutral (after fees), or better off relative to passive investments in public-market securities in such vehicles as index funds or exchange-traded funds? Mr. Moriarty replied that hedge funds were sometimes referred to as absolute-return funds. They had not provided an absolute return in the current conditions, but they had insulated the portfolio from the worst effects of the downturn in the equity markets. Their returns had been part way between the positive returns provided by fixed-income investments and the losses incurred in equity investments. For the first eleven months of 2008, the loss recorded by the Hedge Fund Research Institute Conservative Fund of Funds Index had been 16%. The loss in the Canadian and U.S. equity indices had been between 35% and 45%. It was more difficult to comment on the outcome of private equity investments. Because of the nature of the investments of private-equity funds, the timing in their valuation included a considerable lag. Performance reports for the period ended September 30 incorporated valuation estimates only to June 30. In addition, a significant change in accounting requirements in the United States affecting the valuation of private equity holdings would come into effect for the current year end. While Mr. Moriarty did not anticipate a substantial reduction in the value of those investments, UTAM would certainly be watching the matter carefully.

Mr. Moriarty noted that the private-equity investments had given rise to the issue of liquidity. For private-market funds, UTAM and other investors made commitments to provide cash over time as the fund managers found investments for their funds. There was usually a significant amount of time between the commitment to invest and the calls over time to provide

4. Investments: Pension Fund Master Trust Investment Policy (Cont'd)

cash for each of the fund's investments. In general, investors expected the consummation of deals and distributions from earlier fund investments to provide a part of the cash required for later investments. In the current environment, many deals were not being consummated and distributions were being delayed. On the other hand, with the tightening of credit, cash calls were likely to come faster. UTAM would have to consider that situation carefully from the point of view of providing the liquidity to meet cash calls. The matter was complicated as a result of foreign currency hedging. When the value of foreign currencies fell relative to the Canadian dollar, the value of foreign investments fell, but the UTAM funds received cash from hedging contracts to compensate. When, on the other hand, the value of foreign currencies increased relative to the Canadian dollar, the value of foreign investments increased, but UTAM was required to deliver cash payments to compensate the counterparties to the hedging contracts. The overall result was the need for a great deal of time to manage cash flows and to have appropriate sources of liquidity among UTAM's investments. Mr. Moriarty noted that investment managers had to ensure a proper balance between offensive and defensive strategies. In the recent market conditions, a great deal more attention had to be paid to defensive strategies.

A member expressed serious concern about investments in alternative asset categories, in particular hedge funds and private equity. He referred to Mr. Moriarty's report that an index of hedge fund investments had shown losses of 16%. He thought that the value of alternative investment assets would prove to have declined by a great deal more. For example, Harvard University had reported that its private equity portfolio had declined by 22%, and it had attempted to sell $2-billion of private-equity investments. It was, however, unable to realize more than fifty cents per dollar of book value. Similarly, the member anticipated that the value of hedge funds had in fact declined much more than was being acknowledged in the industry. An absence of transparency made it very difficult to challenge a manager's current valuations, but the member did not expect that investors would be able to realize the full value claimed by the managers. Mr. Moriarty agreed that it was difficult to discover the true value of the alternative investments because of the current liquidity problems. The question of valuation reinforced his determination to ensure that alternative investments were appropriate to UTAM's needs and were transparent. For example, hedge funds that employed structured credit strategies were very difficult to understand and value. On the other hand, funds that used such conventional strategies as arbitrage or made a combination of long investments and short sales were much more readily understood and valued. Having said that, Mr. Moriarty agreed that the member's point was a worthwhile one.

Another member noted Ms Brown's statement that the administration would be giving further consideration to the Investment Policy before submitting the next actuarial valuation in 2010. The current times in the securities markets were truly extraordinary. While stressing the importance of not reacting to short-term situations, he asked whether there was a timetable in place for a careful and thoughtful rethinking of the policy before 2010. Ms Brown replied that while UTAM was already rebalancing the portfolio, as Mr. Moriarty had said, it would take several months to produce an integrated investment and contribution strategy. Work on such a strategy would begin in the very near future. The problem was that the development of such a

4. Investments: Pension Fund Master Trust Investment Policy (Cont'd)

strategy depended on modeling returns for various categories of investments based on experience, and the extraordinary volatility in the markets at this time made it difficult to find a starting place and reasonable assumptions for modeling. It might well be possible, however, to arrive at an integrated strategy at a reasonably early date. At this time, the University's policy of budgeting an additional $27-million annually for pension purposes did represent a good start. As noted in the sensitivity analysis presented in the pension-plan report, however, any decision to move to a more conservative investment policy, if that were the outcome of the review, would entail a reduction in the assumption of a 4% real rate of return and it would require a very substantial increase in contributions. It was therefore important to complete a very careful analysis before any move: (a) to increase contributions to the pension plan, and (b) to implement the corresponding steps necessary to reduce spending elsewhere. The Chair said that he did understand that it was not intended to wait until 2010 before beginning work on the analysis and rethinking of the policy. Ms Brown assured the Board that it was intended to begin this task in the coming spring. She was, however, watching market developments on a daily basis, and she would like to see a reduction of volatility and some sense of where markets were heading as the reasonable basis for modeling and rethinking the policy.

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

YOUR BOARD APPROVED

The proposed University of Toronto Pension Fund Master Trust Investment Policy, a copy of which is attached hereto as Appendix "A".

5. Vice-President, University Relations: Annual Report, 2007-08

The Chair noted that an annual report was normally retrospective. However, in light of the current financial situation, the University's strategy with respect to government funding going forward would be particularly important. Ms Wolfson had therefore kindly offered to focus a great deal of her commentary on strategy, and the Chair had (on the Board's behalf) accepted that offer.

Ms Wolfson presented the University Relations Annual Report.

- **Role of the University Relations portfolio**. The University Relations group was not intended to be a "clearing house" for all of the University's external relations activities. It was hoped, however, that the portfolio would serve as a resource for University's relationships with external stakeholders and as a champion for the University and all of its internal stakeholders. As a resource, the portfolio could provide strategic advice and external contacts. By developing strong ties outside of the University, both in Canada and internationally, the University would be better positioned to sustain and advance its excellence in teaching and scholarship and its role as a contributor to society.

5. Vice-President, University Relations: Annual Report, 2007-08 (Cont'd)

- **The University Relations portfolio** comprised three areas, each headed by an Assistant Vice-President: Government, Institutional and Community Relations; International Relations; and Strategic Communications.

- **Government, Institutional and Community Relations**. The group was responsible for: implementation of the University's strategic activities in relation to: all levels of government (federal, provincial and municipal), other public sector institutions, the private sector, and community partners. Together with the Office of the Vice-President and Provost, the group was responsible for assembling the University's *Performance Indicators* report, the *Facts and Figures* booklet and other statistical reporting such as the Common University Data Ontario (CUDO). Government relations was very important to the University. The University was highly reliant on the Government of Ontario. It received the largest portion of its operating revenue from the Province – an amount in excess of $600-million in 2007-2008. The Federal Government also contributed to the University's operating revenue by funding the research grants allocated by the major granting councils, by providing a portion of the indirect costs of research activities, and by funding the Canada Research Chairs.

- **Government relations, 2007-2008**. For the past year, the University had been successful in securing from the provincial government not only regular operating grants but also additional resources. In 2007-08, capital investments included the very significant amount of $63.3-million for the funding of deferred maintenance and campus renewal; $25-million to establish the new School of International Studies, and $15-million for the Robarts Library. On-going allocations of base funding had been secured for: growth of the program in post-graduate Medicine; $4.9-million for the clinical costs incurred by the programs in Dentistry, Nursing, Pharmacy, Occupational Therapy, Physical Therapy, and Speech-Language Pathology; and a $3.5-million grant for special health research.

- **Government Relations: Going forward**. The portfolio would do everything possible to identify funding and policy opportunities at all levels of Government. The only way to achieve that objective was to maintain and broaden partnerships with all levels of government. The University was fortunate that it was located adjacent to the seat of the Government of Ontario and that the President enjoyed good relationships with many Government leaders. Nonetheless, 2008-09 would, in view of the current economic recession, be a very difficult year. It would be particularly important to work with all levels of government, and particularly with the Government of Ontario. It would be especially important to press the idea of the untenabilty of the tradeoff forced by Ontario's current funding model, which directed funds to universities based solely on their enrolment. That had the effect of encouraging large class size, high student-faculty ratios and an erosion of the quality of education. It would be very important for the University to continue to identify opportunities for capital funding and year-end budget support. It would also be important to make the Government aware of what made the

5. Vice-President, University Relations: Annual Report, 2007-08 (Cont'd)

University of Toronto distinctive and of its central importance to the health of the Ontario economy and indeed the economy of all of Canada. That task would require the efforts of not only the University administration but also of members of the Governing Council, donors and friends, faculty, staff and students. The University would continue to seek special year-end budget funding, however difficult it would be to achieve success in the current year. There was a greater opportunity for success in efforts to secure capital funding. Such funding had been requested in plans submitted to both the federal and provincial governments, which regarded investment in infrastructure as being particularly important to encourage economic activity and recovery from the current recession. The University had presented proposals for construction on all three of its campuses, which would provide very productive investments for the University and the Province. Those proposals had informally received a positive reception. The maintenance and growth of the University's reputation was very important to the well-being of the Province.

Ms Wolfson concluded that the University had succeeded in building successful relationships with all levels of government, and those relationships were of real value. They included relationships with the municipal level of government. While the Cities of Toronto and Mississauga did not provide funding, their cooperation was essential in campus planning and in securing zoning approvals to proceed with particular capital projects. The University provided education and research that was essential to the well-being of the Province and of Canada. The University should also be recognized as a partner to governments in providing outstanding experts who advised on a broad range of economic, social, public-health and other scientific issues and in providing valuable research on those topics. It was reasonable to cite that partnership when the University sought assistance with its needs.

- **International relations**. The University had made considerable progress over the past year in achieving its commitment to move ahead in establishing its international presence and in developing better tools to engage the outside world and to promote its understanding of the University. The portfolio did not seek to involve itself in the myriad of relationships individual members of the faculty had developed with their colleagues internationally, which relationships were of enormous benefit to the University. Rather, it focused on institutional-level relationships. It was, however, valuable to examine co-authored research papers as one metric to measure the University's international presence. Ms Wolfson had found that most research relationships were with Canada's closest neighbour, the United States. The next location of co-authored research papers was Europe. While those relationships were of great importance, it was also necessary to ask where the University might wish to turn to develop further relationships. When Ms Wolfson presented her report to the Board for the previous year, she had just returned from China. This year, she had just returned from a brief but successful trip to India. Those visits benefited the University in providing a broader perspective of what the educational and industrial leaders in those rapidly advancing countries sought on a global scale. Most importantly, it had become clear that they did not regard national borders

5. Vice-President, University Relations: Annual Report, 2007-08 (Cont'd)

as being of any consequence to their missions. Those international visits also provided excellent opportunities to educate others on the strengths of the University of Toronto – to solidify the perception of the University as a global leader. To be out of sight was to be out of mind. The University had not hitherto been as vigorous as some of its peers in promoting its international presence. When the University made efforts to make its strengths clear, those efforts were very well received.

One important contributor to the University's international relations was its hosting of incoming delegations, both those who themselves initiated visits to the University and others who were invited. The cost in terms of time and effort to host such delegations was considerable, and the University had over the past year been more active in selecting delegations to invite. Two highly successful meetings had been with the leaders of Fudan University and with the Indian Minister of Science and Technology. The visits of delegations such as those gave the University an opportunity to enhance its brand reputation.

- **International relations going forward**. Particularly in a time of tight resources and a declining global economy, it was important to be prudent about selecting partnerships to pursue. The University assessed international opportunities on the basis of three criteria. The first was areas of excellence at this University, where other strong institutions would wish to be partners with the University of Toronto. Obvious examples included the life sciences and nanoscience and nanotechnology. The second criterion was shared advantage, i.e. areas where this University and a strong partner institution(s) could leverage each other's strengths to mutual benefit. In working to establish those bilateral and multilateral collaborations, the University sought to enlist the assistance of alumni and other friends with associations with the University, who could serve as ambassadors. In those collaborations, the University would seek to provide opportunities for its students to have international experiences and opportunities for its faculty and staff to develop networks of associations with the partner institutions. The third criterion was the importance of focus – with some expectation of tangible outcomes or outputs. That is why the University picked some very targeted initiatives. Current initiatives included the Transborder Research University Network, which sought to increase opportunities for faculty and students to engage in research with colleagues at other research-intensive universities in southern Ontario and New York State. A second initiative was the Oxford Internship, which provided for ten weeks of full-time work by undergraduate University of Toronto students at Oxford and vice versa. Other examples included joint courses developed with Fudan University in China, and a collaboration with Hewlett Packard and General Electric in India.

- **Strategic Communications**. The Strategic Communications group was responsible for media relations, development of the University's visual identity, market research and marketing strategy, and internal communications. The media relations team had been successful in placing stories not only in the local and national media but also in

5. Vice-President, University Relations: Annual Report, 2007-08 (Cont'd)

international media. A consistent visual identity for the University had been approved and been rolled out to the first group of users. That helped to establish a stronger University of Toronto presence and 'brand', which was important both domestically and internationally to the University's alumni, its benefactors and to the community generally. A part of this initiative was work with the Office of the Vice-President and Provost in developing strong support for the University's efforts to recruit the best possible students. While the University did not have the same resources as did the private sector to develop its brand, it should use all available communications tools, including the development of a strong web site, to inform and attract potential students as well as talented faculty and staff.

Internal communications was a very important element of the work of the Strategic Communications group. The objective was to assist the work of the Office of the Vice-President, Human Resources and Equity in establishing the University of Toronto as an employer of choice. The tools included the publication of the University's *Bulletin* and the electronic *e-bulletin*. The current year had seen the establishment of the "Breakfast with the Bulletin" series of early morning meetings featuring panel discussions highlighting current topics. Over 350 employees had attended those events to date, which helped to foster an understanding among employees that their University welcomed their participation.

- **Strategic Communications going forward**. The Strategic Communications group would continue its work to ensure that the messages from the University to its Canadian and international audiences were consistent and integrated, and it would work to ensure that its products served to secure and enhance the University's reputation. It would continue to implement an integrated plan for external communications to communicate that the University was a great place for great students, one that helped Canada to compete, one that continued to work in partnership with its communities and one that was a strong player on the global stage. The University's message would be framed to reach prospective and current students, government, (with the Office of the Vice-President, Advancement) benefactors and alumni, and other organizations including other post-secondary institutions, corporations, community organizations and the broader community. The University would continue to measure its performance using its performance indicators and, with due skepticism, institutional rankings, and the Strategic communications group would market and increase the value of the University's brand on the basis of the its very positive performance.

A member asked whether, in her work with the Government of Ontario, Ms Wolfson had received any indication of future funding, especially in the light of the current financial turmoil. Ms. Wolfson replied that the Premier was very committed to the promotion of innovation and post-secondary education as means of strengthening the Ontario economy. She had received no indication of funding reductions, and she certainly anticipated none on the scale of those imposed by a previous government some years ago. It was possible that some newer funding,

for example that for the expansion of graduate enrolment, might be stretched out over more than one year.

5. Vice-President, University Relations: Annual Report, 2007-08 (Cont'd)

The President agreed that it was likely that funding for the expansion of graduate enrolment would be phased over two years. That was not a wholly problematic prospect in that it might well be helpful to the University to increase its graduate enrolment more gradually. More worrisome were indications that there would be little or no year-end funding. At the end of the 2007-08 fiscal year, the Government of Ontario had provided important one-time-only funding to assist the universities in making up for shortfalls in their basic operating grants. If at the end of the current year, there was a second year of inadequate base funding and no one-time-only grant, the University would face real financial problems. It was highly likely in such an event that there would be need for divisions to make one-time-only budget reductions of something like 2% for 2009-10. Those reductions would be additional to action taken to cope with the likely absence of a payout from the endowment for 2009-10. The President said that it had been anticipated that the administration would present a balanced budget for 2009-10. He was concerned that it might not be possible to meet that expectation. In discussions at the Council of Ontario Universities, it appeared that a significant number of institutions would in fact incur modest deficits. Their Boards had indicated that they would prefer not to have to incur deficits, that these deficits must not be allowed to compound over time, and that they should be reversed as quickly as possible. The Boards had, however, recognized that some deficits might be required. In this same vein, the President was concerned that the financial and budgetary situation could well worsen over time and the University could not assume that the current pressures would end after fiscal 2009-10.

6. Capital Projects Report as at November 30, 2008

The Board received for information the Capital Projects Report as at November 30, 2008. That report showed projects under construction (forecast cost of $207.51-million) and projects that were occupied but not formally closed (forecast cost of $430.39-million).

7. Capital Projects Closure Report as at November 30, 2008

The Board received for information the Capital Projects Closure Report as at November 30, 2008. It reported the closure of the University of Toronto at Scarborough Chiller Replacement Project at a cost of $3.05-million.

8. Borrowing: Status Report to November 30, 2008

The Board received for information the status report on borrowing to November 30, 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 $869.7-million; actual external borrowing of $556.3-million; and internal borrowing outstanding of $155.9-million.

9. Health and Safety Requirements: Report on Compliance with Legal Requirements

The Board received the Quarterly Report on Compliance with Health and Safety Requirements dated December 4, 2008. The Chair reminded members that they could be held personally liable for any Board failure to carry out due diligence to ensure conformity with health and safety requirements.

10. Date of Next Meeting

The Chair reminded members that an "off line" session was scheduled for Tuesday, January 6, 2009 at 4:00 p.m. in the Council Chamber. It would consider the impact on the University of the current problems in the financial markets. It was intended that the meeting would provide the opportunity for broad discussion and interchange of advice.

The Chair reminded members that the next regular meeting was scheduled for Wednesday, February 11, 2009 at 5:00 p.m.

11. Other Business

Governing Council Elections

The Chair reminded members that nominations for administrative staff, student, and teaching staff positions on the Governing Council would open on Friday, January 9, 2009 at 12:00 noon. An announcement had been included in the package left at member's places. This would be of interest (a) to any elected members whose terms were ending, and (b) to members who might wish to encourage outstanding individuals to become candidates.

THE BOARD MOVED IN CAMERA

12. Real Estate Transaction

The Board considered and approved a recommendation concerning a real estate transaction.[*]

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[*] It was subsequently made public that the Board approved a recommendation contained in a memorandum from Ms Riggall concerning the lease of land at 245 College Street to Knightstone Capital for its construction and operation of a 30 storey student residence building. The Board approved the following resolution:

THAT, subject to Governing Council approval of the designation of 245 College Street as surplus to University requirements, (a) the transaction described in Ms Riggall's memorandum to the Business Board dated December 15, 2008 be approved, and (b) the Vice-President, Business Affairs be authorized to negotiate the final agreements and conditions.

THE BOARD MOVED INTO CLOSED SESSION

13. Gifts and Pledges over $250,000: Quarterly Report, August 1 to October 31, 2008

The Board received, for information, the Report on Gifts and Pledges over $250,000 for the period August 1 to October 31, 2008.

THE BOARD MOVED IN CAMERA

14. Canadian Union of Public Employees, Local 1230 (Full-time Library Workers): Collective Agreement, 2008 – 11

The Chair said that the President or his designate had authority to approve "changes to collective agreements under the Labour Relations Act that fall within existing policies and salary determination procedures." The Board received for information a report on a new collective agreement between the Governing Council of the University and the Canadian Union of Public Employees, local 1230 (full-time library staff) for 2008-11.

15. Confidential and Professional/Managerial Staff: Salary and Benefit Adjustments

The Board considered a recommendation from the Vice-President, Human Resources and Equity concerning salary and benefit adjustments for members of the confidential and professional/managerial staff. The Chair reminded members of the conflict-of-interest provision. Section 27(d) of By-Law Number 2 prohibited any employee of the University, or any immediate family member of an employee, from moving, seconding, or voting on motions related to compensation. The President and the Vice-Presidents were excepted from that prohibition.

After discussion,

YOUR BOARD APPROVED

The compensation increases for Professional, Managerial and Confidential staff, as outlined in Professor Hildyard's memorandum to the Senior Appointments and Compensation Committee dated December 2, 2008.

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16. Canadian Union of Public Employees, Local 3902 (Teaching Assistants)

Professor Hildyard reported on negotiations currently underway with the Canadian Union of Public Employees, local 3902, which represented the University's teaching assistants.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:30 p.m.

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Secretary	Chair

February 12, 2009
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