

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL
REPORT NUMBER 1 OF
THE PENSION COMMITTEE
Wednesday, March 9, 2011

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Wednesday, March 9, 2011 at 4:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. W. John Switzer, In the Chair
Professor George Luste, Vice-Chair
Mr. John F. (Jack) Petch, Chair of the
Governing Council
Professor David Naylor, President
Professor Laurence Booth
Professor Ettore Vincenzo Damiano
Ms Nancy Edwards
Mr. Thomas Finlay
Ms Judy Goldring
Ms Shirley Hoy
Mr. Alex McKinnon
Mr. Gary Mooney
Mr. Philip Murton
Ms Helen Rosenthal
Ms Rita Tsang
Mr. Andrew Ward
Mr. W. David Wilson

Non-Voting Assessors:

Ms Sheila Brown, Chief Financial Officer
Mr. Louis R. Charpentier, Secretary of the Governing
Council, Secretary of the Committee
Professor Angela Hildyard, Vice-President, Human
Resources and Equity
Ms Catherine Riggall, Vice-President, Business Affairs

Secretariat:

Mr. Henry Mulhall, Recording Secretary

Regrets:

Mr. Brent Belzberg
Mr. Steve (Suresh) K. Gupta
Mr. Joseph Mapa
Ms Melinda Rogers
Mr. Howard Shearer

In Attendance:

Mr. Allan Shapira, AON Hewitt

1. Welcome and Introductions

The Chair welcomed members and assessors to the inaugural meeting of the Committee. He thanked members for their willingness to undertake the Committee's important responsibilities, a sentiment echoed by the Chair of the Governing Council and the President. All present introduced themselves.

2. Review of Committee Terms of Reference

The Chair provided an overview of the Terms of Reference, highlighting the Committee's function (Section 4) and areas of responsibility (Section 5), as well as the distinctive roles to be carried out by the Committee and the University administration (Section 9.4). In response to a question, it was clarified that the members of the Committee were not trustees of the University's pension plans; rather, the Governing Council was the legal sponsor and administrator of the plans. The Chair noted that it was intended that an expert presentation would be provided at the next meeting of the Committee on the fiduciary duty of members.

3. Appointment of Committee's Non-Voting Assessors

The Chair noted that Section 1.2 of the Terms of Reference provided that up to three senior members of the University administration with expertise in pensions and/or financial matters, as nominated by the President, be approved as non-voting assessors reporting to the Committee. Following discussion, it was agreed that the assessors should be appointed for a term of three years, consistent with the three-year term of members, or until their successors in their administrative positions were appointed.

On motion duly moved, seconded, and carried,

YOUR COMMITTEE APPROVED

THAT Ms Sheila Brown, in her capacity as Chief Financial Officer; Professor Angela Hildyard, in her capacity as Vice-President, Human Resources and Equity; and Ms Catherine Riggall, in her capacity as Vice-President, Business Affairs; be appointed as non-voting assessors to the Pension Committee, effective immediately, for three-year terms continuing until March 9, 2014, or until their successors in their administrative positions are appointed.

4. Draft Pension Committee Conflict of Interest Policy

The Chair noted that Section 8 of the Terms of Reference stated that "the Committee shall develop and maintain a conflict-of-interest policy, having regard for Section 27 of Governing Council By-Law Number 2."

It was duly moved and seconded,

THAT the proposed Pension Committee Conflict of Interest Policy be approved.

During discussion, a number of members stated that they could foresee instances where members of the Committee would be placed in a conflict, and that the proposed Policy required careful consideration prior to its approval. The Chair suggested that the motion be withdrawn until the Committee had received further expert advice at the following meeting on the fiduciary duty of members. With the agreement of the mover and seconder, the motion was withdrawn, and consideration of the item was deferred to the meeting of April 6, 2011.

In response to a question, the Chair clarified that Section 7 of the Terms of Reference provided that the Committee could, from time to time, determine a need to receive advice beyond that

provided in the normal course of business. In such cases the Committee could engage external consultants with the cost being funded from the assets of the pension plans. The Secretary clarified that the Committee had no special budget of its own to cover such expenses.

5. Review of Pension Plans

In order to provide initial orientation and education for members, the Chair invited Professor Hildyard and Ms Brown to provide the Committee with an overview of the University's pension plans. The highlights of the comprehensive presentation are outlined in the slides attached hereto as [Attachment "A"](#).

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

- Ms Brown confirmed that reporting on a ten-year rolling basis was the University's standard format for reports such as its financial statements. The Chair took under advisement a request that more extensive historical data be provided for information purposes when appropriate.
- In response to a question, Mr. Shapira confirmed that the ratio of active to retired members of the University's pension plans had not changed significantly in recent years, and was not at present a particular concern. The active membership of the plans had grown considerably reflecting the growth of the University.
- For the discussion of the actuarial assumptions used to calculate the plan liabilities that was scheduled for the June 10, 2011 meeting, Mr. Shapira undertook to supplement the existing demographic and economic assumptions with qualitative data, and to undertake a sensitivity analysis that would demonstrate the interrelationships of the various assumptions.
- In response to a request, Professor Hildyard undertook to provide, if possible, the full historical cost of the Voluntary Early Academic Retirement Program (VEARP), a legacy program that had been eliminated in 2005.
- Following discussion of the purposes served by comparing actual investment earnings to benchmark portfolio returns in addition to investment targets, the Chair confirmed that benchmark returns would be taken into consideration in the future discussions of the Committee that focused on review of investment results.
- Ms. Brown noted that, in support of a preliminary funding and financing strategy to address the special payments, internal borrowing of up to \$150 million had recently been approved by the Business Board to provide a lump-sum payment into the plan.
- Following discussion of the terms of the University's pension plan compared to other Ontario public sector pension plans (slide 33), Professor Hildyard noted that matters such as pension benefits and member contribution rates had been determined through negotiations with the various employee bargaining groups.

6. Review of Work Plan to End of June, 2011

(a) Meeting Themes

The Chair proposed that the agendas for the Committee's four annual meetings be generally organized around four themes: orientation, financial statements and investment policy, investment review, and administrative matters. He took members through the specific items to be considered at the meetings of April 6 and June 10, 2011, as outlined in the memorandum that had been distributed.

(b) Working Group on Communications

The Chair noted that Section 5 of the Terms of Reference provided the Committee with the authority to develop a "communication plan to enhance and facilitate communications of important features of the plans with members and former members of the plans." Professor

Hildyard stated that she would welcome volunteers from the Committee to join her in a working group to develop such a plan, and asked that interested members contact her directly. In response to a question, she clarified that, while the Committee would develop the communications plan, the University would continue to send out communications to members of the University community concerning the pension plans.

7. Date of the Next Meeting

Members were reminded that the next regular meeting of the Pension Committee was scheduled for Wednesday, April 6, 2011 at 10:00 a.m.

8. Other Business

In order to provide further orientation to members, the Chair proposed that an information session be held prior to the next meeting, to which members of the Business Board and the Audit Committee would also be invited. A panel of external experts on pension plan governance would discuss best practices and current issues, to be followed by a question and answer session. The intent was to engage experts who were familiar with pension plans similar to those of the University, and the Chair welcomed suggestions of appropriate individuals.

There was no other business.

The meeting adjourned at 6:00 p.m.

Secretary
March 22, 2011

Chair