UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 113 OF THE BUSINESS BOARD

June 21, 2001

To the Governing Council,
University of Toronto.

Your Board reports that it met on Thursday, June 21, 2001 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Ms Rose M. Patten, Vice-Chair
Ms Wendy M. Cecil-Cockwell, Chairman of the Governing Council
Professor Robert J. Birgeneau, President
Professor Michael G. Finlayson, Vice-President - Administration and Human Resources
Ms Sheila Brown, Acting Chief Financial Officer
Dr. Robert Bennett
Professor W. Raymond Cummins
Mr. Brian Davis
Ms Susan Eng
Mr. Josh Koziebrocki
Ms Karen Lewis
Mr. Gerald A. Lokash
Mr. Frank MacGrath
Professor Heather Munroe-Blum
Dr. John P. Nestor
Mr. Elan L. Ohayon
Ms Jacqueline C. Orange
The Hon. David R. Peterson
Ms Carol Stephenson
Mr. Robert S. Weiss
Dr. Jon S. Dellandrea, Vice-President and Chief Development Officer
Professor Adel S. Sedra, Vice-President and Provost
Mr. Louis R. Charpentier, Secretary of the Governing Council
Professor Derek McCammond, Vice-Provost, Planning and Budget
Miss Janice Oliver, Assistant Vice-President, Operations and Services
Professor Ronald Venter, Vice-Provost, Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs
Mrs. Beverley Stefureak

Regrets:

Mr. H. Garfield Emerson
Mr. Paul V. Godfrey
Mr. James S. Kinnear
Professor Brian A. Langille
Mr. Martin Offman
Mr. Roger P. Parkinson
Mr. John H. Tory

In Attendance:

Dr. Sheldon Levy, Vice-President - Government and Institutional Relations
Ms Susan Addario, Director, Student Affairs
Mr. Mark L. Britt, Director, Internal Audit Department

In Attendance (Cont'd)

Dr. Beata FitzPatrick, Director, Office of the President and Assistant Vice-President
Mr. Eric Fleming, Director, Risk Management and Insurance
Ms Rivi Frankle, Director of Alumni and Development
Mr. H. Donald Guthrie, Cassels Brock and Blackwell
Professor Angela Hildyard, Principal, Woodsworth College
Professor Wayne Hindmarsh, Dean, Faculty of Pharmacy
Mr. Donald Lindsey, President and Chief Executive Officer, University of Toronto Asset Management Corporation
Professor George Luste, Department of Physics
Mr. Brian Marshall, Director of Human Resources
Professor Robert H. McNutt, Principal, University of Toronto at Mississauga
Dr. Peter B. Munsche, Assistant Vice-President, Technology Transfer
Ms Gayle Murray, Executive Assistant to the Vice-President and Employee Relations Coordinator, Office of the Vice-President - Administration and Human Resources
Professor David Naylor, Dean, Faculty of Medicine
Ms Carmel O'Sullivan, President, Association of Part-time Undergraduate Students
Mr. Pierre Piché, Acting Controller and Director of Financial Services
University Professor Emeritus Peter Russell, Department of Political Science
Mr. Allan Shapira, Hewitt and Associates
Professor Mel Silverman, Senior Adviser to the Vice-President - Research and International Relations
Ms Deborah Simon-Edwards, Executive Assistant to the Chief Financial Officer
Professor Cecil Yip, Vice-Dean, Research, Faculty of Medicine; Chair, Users' Committee for the Centre for Cellular and Biomolecular Research

ITEMS 3, 4, 5 AND 6 ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL.

1. Chair's Remarks

Mr. Joshua Koziebrocki

On behalf of the Board, the Chair congratulated Mr. Koziebrocki, who had the previous day graduated from New College, earning his Honours Bachelor of Arts Degree with high distinction.

2. Report of the Previous Meeting

Report Number 112 (May 7, 2001) was approved.

3. Financial Statements for the year ended April 30, 2001

Mr. Weiss reported that the Audit Committee had considered the financial statements over two meetings. The Committee had reviewed the note disclosure at the May meeting. It had then reviewed the final draft statements in detail at a meeting held the previous day. A copy of the presentation made to the Audit Committee, outlining the highlights of the financial results, had been placed on the table for this meeting. The external auditors had been in attendance at both Audit Committee meetings, and the Committee had held its annual private meeting with them, with no members of the administration present, at the June 20 meeting. A by-product of the financial-statements audit was a management letter, in which the external auditors advised the Audit Committee of any weaknesses in financial controls observed during the audit that could lead to a significant risk of material misstatement in the financial statements. Mr. Weiss reported that Ernst & Young had noted no significant control weaknesses. Mr. Weiss observed that preparing April 30 financial statements in time for their approval at the June meeting of the Governing Council was a remarkable task, especially in so large and complex an organization as the University of Toronto. He and the Chair congratulated Ms Brown, Mr. Pierre Piché (the Acting Controller), Mr. Mark Britt (the Director of Internal Audit), the external auditors, and the members of their teams.

Ms Brown presented the highlights of the year's financial results.

- **Funding**. The University's funding for the year was $1.2-billion. Of that amount, $1.0-billion was recorded as revenue for the year, with $54-million being accounted for as direct additions to the endowment capital and $125-million being deferred to match future spending obligations, for capital, research projects and other restricted purposes.

- **Key changes in income: Government and other grants and contracts for restricted purposes**. Restricted funding had declined from $296-million in 1999-2000 to $288-million in 2000-01. This decline was largely attributable to the one-time-only grant of $68.5-million that had been received from the Government of Ontario's SuperBuild Growth Fund in 1999-2000. While the SuperBuild funding for capital infrastructure had been on a one-time-only basis, the other category of restricted funding had increased: the University's external research funding had increased by $57-million to $257-million, arising from successes in attracting funding from the Canada Foundation for Innovation, the Ontario Innovation Trust, and the Natural Sciences and Engineering Research Council.

- **Key changes in income: Investment income**. Because of the very poor returns on the capital markets, investment income had declined from $125-million in 1999-2000 to $22-million in 2000-01. The $22-million consisted of income of $30-million in the expendable funds combined with a loss of $8-million in the endowment funds. In

3. **Financial Statements for the year ended April 30, 2001** (Cont'd)

response to a question, Ms Brown said that investments were recorded at market value as at the April 30 fiscal year end, and the income figure included interest, dividends and realized and unrealized capital gains and losses. The University's Policy on the Preservation of Capital of Endowment Funds required both the long-term preservation of the real value of the endowed funds and the smoothing of payouts for chairs, student aid and other beneficiaries of the endowment funds. This was achieved by making an annual payout of 5% of the average value of the units of the endowed pool over the past four years. In years of good market returns, such as 1999-2000, investment income above the payout was reinvested in the endowment, with $92.4-million being so reinvested in that year. In years of poor market returns, such as 2000-01, money previously set aside for capital preservation was expended, with $58-million being so expended in that year, with $50-million being paid out for spending and $8-million representing the investment loss. In response to a question, Ms Brown said that the payout rate, being 5% of the average unit value over the past four years, had amounted to about 4.5% of the 2001 unit value.

- **Expenses** were $1.1-billion, up from $999-million the previous year. The largest component of expenditure was salaries and benefits of $642-million, an increase of 11% over 1999-2000. (That increase, however, included the provision for amortizing the cost of employee future benefits, see below.) Spending on student aid (scholarships, fellowships and bursaries) was $69-million, a 23% increase from $56-million the previous year, both figures excluding student aid provided by the federated universities. This increase illustrated the University's strong commitment to its Policy on Student Financial Support, which included the guarantee that no qualified student would be prevented from beginning or completing an academic program because of financial need.

- **Overall financial result**. After transfers, the deficit for the year was $11.7-million, bringing the cumulative deficit to $19.3-million. In the operating fund only (setting aside the results in the ancillary operations, the capital fund and the restricted funds), the deficit on the year's operations was $5.8-million, bringing the cumulative deficit to $11.1-million. The operating deficit of $5.8-million compared favourably with the $6.8-million amount included in final operating fund forecast for the year, presented to the Board on April 2, 2001.

- **The endowment** stood at $1.176-billion at year end, up marginally from $1.171-billion the previous year, providing a strong base of support for student aid, endowed chairs, and other purposes.

- **Accounting change: employee future benefits**. A change in Generally Accepted Accounting Principles in the Canadian Institute of Chartered Accountants' *Handbook* required the University to record a liability for employee future benefits in the

3. Financial Statements for the year ended April 30, 2001 (Cont'd)

accounting period in which employees render their services and earn their future benefits. (Future benefits other than pension benefits had previously been dealt with on a cash basis.) This general principle previously applied to pension benefits but had now been extended to medical benefits, long-term disability insurance and other benefits. The University had therefore incurred a liability amounting to $41.3-million, which would be recorded prospectively and amortized over the estimated average remaining service life of current employees.

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

THAT the University of Toronto audited financial statements for the fiscal year ended April 30, 2001 be approved.

4. Appointment of External Auditors for 2001 - 02

Mr. Weiss observed that Ernst & Young had been long-serving external auditors of the University. As a result, they had the advantage of knowing well the University's systems and its financial staff. That had the corresponding disadvantage of familiarity. To ensure that that familiarity did not impair the independence of the Audit, the Audit Committee reviewed the appointment annually, and the University and the firm had established a practice of changing the partner in charge of the audit periodically.

In response to a member's question, Mr. Weiss said that the Audit Committee reviewed the external auditor's fees annually in the fall. As of the last review, the fee for the main audit had amounted to less than $100,000. That fee had not increased in recent years. Ernst & Young performed additional work for the University, including the audits of the incorporated ancillary operations, Hart House, the pension plans, the Ontario Student Assistance audit, the enrolment audit, and others, as well as some tax and other consulting work.

On the recommendation of the Audit Committee,

YOUR BOARD RECOMMENDS

(a) THAT Ernst & Young be re-appointed as the external auditors of the University of Toronto for the fiscal year ending April 30th, 2002;

(b) THAT Ernst & Young be re-appointed as the external auditors of the University of Toronto pension funds for the fiscal year ending June 30th, 2002; and

4. **Appointment of External Auditors for 2001 - 02** (Cont'd)

(c) THAT the members of the University of Toronto Innovations Foundation be requested to re-appoint Ernst & Young as the external auditors of the Foundation for the fiscal year ending April 30th, 2002 at a remuneration to be fixed by the Directors of the Foundation.

5. **Policy on Capital Planning and Capital Projects**

Professor Finlayson observed that the proposed Policy on Capital Planning and Capital Projects had been the product of a long period of gestation. About five years ago, members of the Business Board had remarked that there appeared to be problems in the University's process for architect selection, which could have been more creative and open. A Committee, chaired by former Board member, Dr. Alex Waugh, had considered the matter and brought forward recommendations leading to the establishment of the Physical Planning and Design Advisory Committee. Among the objectives of that Committee was the formalization and elevation of the role of design in the planning of capital projects. The Business Board had in March 1997 approved the terms of reference of the Physical Planning and Design Advisory Committee, which consisted of: six members of the University community, including three members or former members of the Business Board; three members of the external community with professional expertise in design matters; the Dean of the Faculty of Architecture, Landscape, and Design; and appropriate members of the central administration. In addition, the administration had undertaken to continue to review the current policies governing the steps in the planning and execution of capital projects. Those policies were regarded as deficient in a number of ways. The dollar value of the projects under the purview of the policies was seen as being too low, distracting attention from the larger projects. There was an apparent disjunction between the processes of planning and executing projects, with a lack of continuity between the users' committees that planned projects and the project implementation committees that oversaw their execution. University-wide oversight of projects appeared to be too weak, with the interests of the users sometimes overriding University-wide interests. The involvement of the senior administration and the reporting to governance appeared to require improvement. About one year ago, the Provost and Professor Finlayson had invited Dr. John G. Dimond, the Secretary Emeritus of the Governing Council, to prepare a blueprint for, and a first draft of, a revised policy. When Professor Venter had been appointed as Vice-Provost, Space and Facilities Planning, he and Miss Oliver had completed broad consultations and had prepared the draft currently before the Board. That draft had been reviewed by the Planning and Budget Committee and its parent, the Academic Board, which had recommended the proposed Policy to the Governing Council for approval.

Professor Venter noted that one of his tasks, upon taking up his new appointment, was to complete the proposed policy in time for its consideration by the Governing Council before the completion of Professor Finlayson's term as Vice-President. Professor Venter thanked all those who had provided advice during the consultations. He outlined the proposed process for the planning and execution of capital projects. For all projects costing in excess of $2-million,

5. Policy on Capital Planning and Capital Projects (Cont'd)

the University would establish a Project Committee. That Committee would be established very early in the process, when the need for a project had been identified on the basis of a division's academic plan. The Project Committee would be established by the Provost and would include representatives of the division(s) and staff officers from the Office of the Vice-President and Provost and the Office of the Vice-President - Business Affairs. A core of Project Committee members would participate in the process from the conception of the project to its delivery to the unit for occupation. The Project Committee for major projects would include a Project Coordinator, who would be expected to take a leadership role throughout the process. A Project Planning Report would be competed and submitted to the President and, with the President's recommendation and any modifications, to the Planning and Budget Committee, the Academic Board and the Governing Council. That Report would: recommend approval in principle of the project; include a provisional cost estimate; identify potential funding sources; provide a cash flow analysis; and provide an estimate of operating costs. The administration would also seek the approval of the Business Board for initial funding to engage architects and other design consultants. After the design process was complete to the point where the project could be tendered, the administration would prepare and submit to the Business Board a Project Implementation Report, including: comments on any changes to the project from the approved Project Planning Report; assurance of conformity with the overall planning principles; reports on any variances with the advice of the Design Review Committee; total cost; sources of funding; timing of expenditures; cash-flow analysis; required financing; and provisions for cost escalation. The Design Review Committee would be an independent committee appointed by the President to advise on the selection of architects and on the design of projects. It would be chaired by the Vice-President and Provost or designate and by one other member and it would include in its membership: (a) five people with expertise and qualifications in design, including the Dean of Architecture, Landscape, and Design and two experts from outside the University, and (b) three members of the Governing Council, its Boards or the wider University community, with particular recognition of multi-campus participation. At least one of those three members would be a current or former member of the Business Board.

The Chair noted that a corrected page 2 of the proposed Policy had been placed on the table. The only change was one addition to the list of the current policies that would be replaced by the new policy: the current Steps in the Execution of Capital Projects (June, 1989). Because the proposed Policy dealt with all aspects of capital projects, it had been considered by the Planning and Budget Committee and the Academic Board. With the Business Board's assent, the policy would be recommended to the Governing Council jointly by the Academic Board and the Business Board.

A member asked about the relationship of the Design Review Committee and the Project Committees. Would there be any overlapping membership? Professor Venter replied that there would not usually be an overlap in the membership of the two committees, although both would be kept up to speed on the design of projects. The Design Review Committee would be briefed on the plans for each project, probably meeting with the architects on two or

5. Policy on Capital Planning and Capital Projects (Cont'd)

three occasions through the design process. Leading members of the relevant Project Committee would be invited to attend those presentations and provide their views.

A member expressed her great pleasure at the proposed new Policy, bringing together all of the elements in the University's capital program. The Policy would be a very important one, given the very large scale of the University's planned building program. She offered her gratitude to Professor Finlayson, Professor Sedra, Miss Oliver and the Chair for listening to the concerns that had been expressed by members, for establishing the new position of Vice-Provost, Space and Facilities Planning, for appointing Professor Venter to that position ensure coordination of the planning of the building program, and for bringing all of the program's elements together under one comprehensive policy. The member concluded that the proposed new Policy would both save the University a great deal of money on its new buildings and facilitate their speedier planning and completion. The Chair expressed his gratitude for being given the opportunity to review the proposed Policy at various stages. He added his thanks to all concerned for their hard work on the proposed Policy and for its timely completion.

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

YOUR BOARD RECOMMENDS

THAT the proposed Policy on Capital Planning and Capital Projects be approved.

6. Indemnification for Directors of McClelland & Stewart Ltd.

Ms Brown said that the University appointed five directors to the Board of McClelland & Stewart Ltd. For the Boards of the incorporated business ancillary operations (the University of Toronto Asset Management Corporation, the University of Toronto Innovations Foundation and the University of Toronto Press) the University provided an indemnification to the directors it appointed. It was proposed to provide an identical indemnification for the five University-appointed directors of McClelland & Stewart.

On the recommendation of the Acting Chief Financial Officer,

YOUR BOARD RECOMMENDS

THAT except in respect of an action by McClelland and Stewart Ltd. to procure a judgment in its favour, the University will indemnify and save harmless the five directors of McClelland and Stewart Ltd. nominated by the University of Toronto for election to the Board of the company pursuant to clause 2.01 of the Unanimous Shareholders Agreement between the Governing Council of the University of Toronto,

6. Indemnification for Directors of McClelland & Stewart Ltd. (Cont'd)

McClelland & Stewart Ltd., Random House of Canada Ltd. and First Plazas Inc., and those directors' heirs, executors and administrators and the estate and effects of each of them respectively, from time to time and at all times, from and against all costs, charges and expenses whatsoever (including amounts paid to settle an action or satisfy a judgement and fines and other monetary penalties) that such a person sustains or incurs in or about any civil, criminal or administrative action, suit or proceeding that is brought, commenced or prosecuted against him or her, for or in respect of any act, deed, matter or thing whatsoever, made done or permitted by him or her, in or about the execution of the duties of his or her office, except such costs, charges or expenses as are occasioned by his or her own willful neglect or willful default and except to the extent that any such person is indemnified under a policy or contract of insurance or indemnity with respect to any such costs, charges or expenses.

7. Business Arising from the Report of the Previous Meeting

(a) Item 9(a) - Budget Report: Proportion of Operating Revenue Supplied by Tuition Fees

The Chair recalled that during the Board's consideration of the Budget Report on April 2, two members had requested comparative information about the proportion of operating revenue supplied by tuition fees at a representative sample of universities. Professor McCammond had kindly undertaken to provide that information, which was included in today's agenda package.

A member commented that she had requested the information to determine whether any policy position might emerge from the data. Did the University of Toronto have a policy that tuition fees should represent some appropriate proportion of total revenue? Professor Sedra replied that the University did have a tuition fee policy. That policy provided for the setting of fees based on such criteria as: program costs, competitiveness with comparable programs, and the future income prospects of graduates. The policy did not specify tuition fees as a given proportion of revenue. The member suggested that the administration consider whether that criterion would be an appropriate one for the policy. The Chair took the suggestion under advisement.

7. **Business Arising from the Report of the Previous Meeting** (Cont'd)

(b) **Item 9(b) - Investments: Annual Report of the University of Toronto Asset Management Corporation**

The Chair recalled that at the previous meeting a member had given notice of the following motion:

> THAT the University commission a report from independent consultants with respect to steps the University should take to apply ethical criteria to its investments.

Section 32(e) of By-Law Number 2 provided that notices of motion were "considered by the committee Chair . . . for inclusion on the agenda of a subsequent meeting or other action as the Chair . . . deems appropriate. . . . " The Chair reported that he had decided that the notice of motion should not be placed on the agenda. As a fiduciary, the Governing Council was required to invest solely on the basis of prudent investment criteria, seeking the best return possible for members of the pension plans, for the donors to the endowments, and for the beneficiaries of those endowments, including students receiving scholarships and financial aid. While individuals investing their personal funds could use any criteria they wished, fiduciaries investing other peoples' money were required to seek the best possible return consistent with prudence. The Chair had also been convinced by a member's advice, given at the previous meeting, that commissioning consultants' reviews had not been productive in other settings. The Chair noted that the University had in place a policy on Social and Political Issues with respect to University Investment. That policy set out a procedure for dealing with proposals for action when very specific matters arose that could justify action. When a specific matter arose, members of the University could ask whether the University invested in the company concerned, and they could seek to make a case that social harm was caused by that investment. They could also demonstrate widespread support for action by the beneficiaries of the pension funds and endowment funds. Specific, rather than broad-brush, actions that were broadly supported might be legally permissible in certain circumstances. That policy itself, although not its implementation, was within the terms of reference of the University Affairs Board, which was responsible for "non-financial aspects of University investments." The Chair noted that notwithstanding his decision not to place the matter on the agenda, a member could put forward a motion to have a matter added to the agenda. Inclusion on the agenda would require a two-thirds majority. The member could state briefly his reasons for adding the motion to the agenda, but the motion was otherwise not debatable.

The member said that he found very problematic the suggestion that it was the Board's fiduciary duty not to invest ethically. He asked about the case law leading to that conclusion and whether a written opinion had been obtained. It would be incredible not to divest on legal grounds, failing to pursue the University's higher values. The University's own policy stated that action was possible. The University's agreement with its Asset Management Corporation bound that body to adhere to the University's policy on Social and Political Issues with respect to University Investment. It would be wrong to conclude that ethical investing should not be

7. **Business Arising from the Report of the Previous Meeting** (Cont'd)

(b) **Item 9(b) - Investments: Annual Report of the University of Toronto Asset Management Corporation** (Cont'd)

the responsibility of the Business Board given the financial implications of failure to observe ethical criteria in investments. The member had at one time examined the University's investment portfolios and he found some of those investments to be "horrifying." They included investments in tobacco companies, companies that employed child labour, and companies that supported dictatorships. While there was a policy in place, that did not mean that the procedure should not be re-examined. It had been used on only one occasion - the divestment of companies doing business in then-minority-ruled South Africa. That was too rare a use. The Governing Council should be more proactive in dealing with social issues. The member's notice of motion merely called for a step to re-examine the existing, very old policy. The Chair had written to the member to give his reasons for not putting the member's notice of motion on the agenda. That letter represented an argument against proceeding that should be considered by the entire Board. There was no procedural reason for the Board not to consider the matter.

It was duly moved and seconded

THAT the notice of motion concerning ethical investing be added to the agenda of this meeting.

The motion was defeated.

A member noted that the proposal to divest shares of all tobacco companies had been considered by an advisory board stuck under the current policy. The member had served on that board, which had examined the issue and had decided that it would not be possible to proceed for the legal reason cited earlier by the Chair.

8. **University of Toronto Asset Management Corporation: Financial Statements, 2000**

The Chair said that the Audit Committee was responsible for reviewing the audited financial statements of the incorporated ancillary operations and, if appropriate, recommending them to the Business Board for acceptance. The Business Board had already received the more substantial part of the annual report of the University of Toronto Asset Management Corporation (UTAM) - that on investment performance.

Mr. Weiss said that UTAM was an investment-management service organization. The portfolios it managed for the University appeared on the University's own financial statements and not on UTAM's statements. UTAM was a separate corporation with its own directors and its own audit committee. Therefore the Business Board was being asked to "accept" the statements rather than "approve" them. The University's Audit Committee had reviewed the

8. University of Toronto Asset Management Corporation: Financial Statements, 2000 (Cont'd)

financial statements and had also completed a comprehensive review of UTAM's controls over the invested assets. Report Number 60 of the Audit Committee contained a very detailed record of the presentation concerning UTAM's safeguards and its control environment.

A member observed that 5% of UTAM's costs for its first seven months of operation consisted of consulting fees. Invited to respond, Mr. Lindsey said that UTAM currently used only one consultant, Cambridge Associates, which provided certain research services at a cost of U.S. $65,000 per year. The financial statements included costs of consultants that had been engaged by the University before UTAM's operations had begun on 1 May, 2000. Those included: (a) the services of Hewitt Associates, actuaries and benefit consultants, who had completed a special study to assist in determining the appropriate asset mix to match the liabilities of the endowment and pension funds, and (b) two performance-measurement services. Those services were no longer used, with performance measurement services being included in the work of the new custodian.

On the recommendation of the Audit Committee,

YOUR BOARD ACCEPTED

The audited financial statements of the University of Toronto Asset Management Corporation, December 31, 2000, a copy of which is attached to Report Number 60 of the Audit Committee as Appendix "A".

9. Report Number 60 of the Audit Committee: Items for Information

The Board received the items for information contained in Report Number 60 of the Audit Committee (May 23, 2001). The Chair asked Mr. Weiss to convey to his colleagues on the Audit Committee the Board's gratitude for their work through the year. The Audit Committee was one of the harder working committees in the University's governance system.

10. Interim Payment to Pre-June 30, 1996 Retirees

The Chair reminded members that the Board had, at the May meeting, considered the proposal for a payment to pre-June 30, 1996 retirees and had approved it in principle. However, it would have been inappropriate to give final approval at that time, because the Faculty Association had not responded to the proposal.

Professor Finlayson reported that the Faculty Association Council had now considered the matter. He directed members' attention to the May 9, 2001 letter from the President of the Faculty Association, stating that the Association had no objection to the implementation of the

10. **Interim Payment to Pre-June 30, 1996 Retirees** (Cont'd)

proposal. Professor Finlayson said that the recent, failed negotiations with the Association had included consideration of a proposal to amend retroactively the formula for determining the pensions of all members of the pension plan - former faculty and staff - who had retired prior to July 1, 1996. The proposal would have increased the pension accrual formula for salary under the yearly maximum pensionable earnings (currently around $38,000) from 1.0% to 1.3%, bringing about a 30% increase in that portion of the pension. It had been agreed in the negotiations that those pensioners who had retired before July 1, 1996 had derived less benefit from their pensions than those who were active as of that date, when the change in the accrual formula was made for active members. Therefore, Professor Finlayson proposed approval of an interim payment that would provide an amount equal to the additional benefit that would be derived from six months' pension calculated according to the proposed, revised formula.

The Chair reported that he had agreed to a request to address the Board from Professor George Luste, who would on July 1 become Vice-President (Salaries and Benefits) of the Faculty Association. Professor Luste referred to a document he had prepared, which had been placed on the table for the meeting. The matter now before the Board was one reflection of a very large issue: that the University of Toronto's pension plan was not competitive with the plans of peer institutions. The comparative inadequacy of the University's plan should be corrected, and correcting the problem would involve a considerable cost. Professor Luste referred to Table 1 in his paper, which showed the percentage of the salary base contributed to the pension plan by both the University and the plan members since 1987, excluding the amounts being set aside to match the University's liability under the Supplementary Retirement Arrangement. Those contributions had amounted to about 4% of the salary base. Including the Supplementary Retirement Arrangement would increase that proportion to perhaps 6% of the salary base. At all of the other universities listed in Table 1, the total contributions of the university and the plan members had amounted to at least 12% of the salary base. At the University of Toronto, the average contributions by the University itself had amounted to only 1% of the salary base since 1987 (with the remaining 3% being contributed by plan members). The average employer contribution at the other universities was about 10% of the salary base. The actuarial valuation showed that the full current service cost of funding the University's plan amounted to about 14% of the salary base - an amount that had not been contributed owing to pension contribution holidays. The key difference was that at the University of Toronto the pension plan was a defined-benefit plan. Plan members had no choice of having a defined-benefit or defined-contribution plan or some hybrid. Meanwhile, the cumulative value of the pension contribution holidays in current-dollar terms had grown to $800-million. Because of the plan surplus, the University was not permitted to make employer contributions. As a result, notwithstanding member contribution holidays in some years, the vast majority of the money contributed to the plan since 1987 had been contributed by the plan members rather than the University. As of July, 2000, the plan had a surplus of $500-million. Professor Luste concluded that the University's plan was not a good

10. Interim Payment to Pre-June 30, 1996 Retirees (Cont'd)

one. The University should provide a pension plan that was competitive with its peer institutions. If it failed to do so, it would encounter real problems in attracting and retaining first class faculty.

A member commented that the administration had in recent negotiations made serious efforts to reach agreement with the Faculty Association on salary and benefits matters that would have included major pension-plan changes. The matter was a very complex one. The focus on percentage contributions was only a small part of the total question; at the end of the day the important matter was the amounts paid out to pensioners. The question of proportional contributions was appropriately the subject of negotiations, in which the two sides had not reached agreement.

Professor Finlayson said that the University had a defined-benefit plan and not a defined-contribution plan, and it had had such a plan since 1966. In such a plan, the key question was not the proportion paid in but the pension paid out. There had been no suggestion until late in 1998 that the University consider moving to a defined-contribution plan. Since the proposal for a defined-contribution plan had been put forward by the Faculty Association (and, Professor Finlayson noted, by no other employee group), the University had entered into negotiations including that question. The President added that the pension plan would be a major part of the forthcoming round of salary and benefits negotiations. A proposal would emerge from the negotiations in due course. The President thought it fair to say that the administration and the Association were in agreement in principle on virtually all issues; what remained to be resolved were quantitative differences.

In the course of discussion, a member asked how the Board could discuss the matter of pension benefits in a manner that would not interfere with negotiations. It might well be appropriate for the Board to consider such matters of principle as the appropriate proportion of payroll for pension plan contributions. There appeared to be a major discrepancy between the University of Toronto and other institutions. The Chair noted that the Board's terms of reference delegated to the administration responsibility for the conduct of salary and benefit negotiations. Professor Finlayson had, however, briefed and taken advice from a group of three members of the Business Board during the recent, failed round of negotiations. He recalled that the Board had, at its meeting of October 2, 2000, held a part of its meeting *in camera* to receive a briefing from Professor Finlayson on faculty salary and benefits matters and to receive any advice on the forthcoming negotiations. It would be entirely appropriate to hold another such session in the fall of 2001 before the commencement of the new round of negotiations.

A member noted that University Professor Emeritus Peter H. Russell was in attendance. He had distributed a letter to members of the Board on behalf of a group called RALUT - Retired Academics and Librarians at the University of Toronto. Professor Russell had proposed the formation of a broadly representative task force to look into the pension

10. Interim Payment to Pre-June 30, 1996 Retirees (Cont'd)

question before the resumption of negotiations. The member thought that the participation of members of the University community could be of help in dealing with the pension issue and he wished to hear how Professor Russell's proposal would work.

It was duly moved and seconded,

> THAT University Professor Emeritus Peter H. Russell be invited to address the Board.

> The motion carried with the necessary two-thirds majority.

Professor Russell referred to the letter written on behalf of 600 retired academics and librarians who formed RALUT. These people had served the University with great distinction over many years and did not form a marginal fringe group. RALUT recognized that the University administration normally conducted negotiations with the Faculty Association, but the proposal was for collegial discussions before the initiation of negotiations. The issues concerning the pension plan were very major ones, and the issues went beyond disagreements about numbers. Rather, there were issues of policy and principle. The letter from RALUT was a response to one from Professor Finlayson, but the retired members of the faculty and librarians wished to ensure that everyone was aware of the other side of the pension issue. The proposal to establish a task force represented a good, collegial, University of Toronto way to deal with the issue. Establishing such a task force with credibility, and with all parties represented, would show respect to the retired faculty and librarians and would assist in finding common purposes before negotiations began. It would, in fact, be entirely appropriate for such a Task Force to consider what matters should be discussed in negotiations.

A member gave notice of motion

> THAT the Board establish such a Task Force like that suggested by Professor Russell.

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

> YOUR BOARD APPROVED
>
> The resolution approved in principle on May 7, 2001,
>
> THAT there be a one-time-only payment to current University of Toronto pensioners or, if deceased, to their survivors currently in receipt of a University of Toronto pension, who retired prior to July 1, 1996, to be

10. Interim Payment to Pre-June 30, 1996 Retirees (Cont'd)

calculated in a manner described in Professor Michael Finlayson's May 4, 2001 memorandum to the Business Board, a copy of which is attached to Report Number 112 of the Business Board as Appendix "B". The payment is to be funded by re-directing the $2.5-million to $3.0-million cost from the pension budget allocated to fund the Supplemental Retirement Arrangement (S.R.A.) and by adding this cost to any increase in S.R.A. liabilities arising out of 2001-2 salaries and benefits negotiations, with the total amortized in accordance with the University's policy.

11. Capital Projects Report

Miss Oliver tabled the Capital Project Status Report, June 2001, which provided a summary status report of all capital projects underway, those approved for architectural/site service work, those awaiting confirmation of funding, those awaiting approval of user committee reports by Governing Council, and those for which user reports were being prepared.

A member asked for the status of funding of the projects underway. Professor Sedra said that there was a funding shortfall on some projects, most significantly the Bahen Centre for Information Technology where the shortfall currently stood at about $20-million. The plan was to continue fund-raising from private sources for those projects. In the event that sufficient private funding did not materialize, the University would use long-term financing, to be repaid from the operating funds of the divisions who would occupy the buildings. Those divisions were well aware of their obligations to make up for any shortfall.

A member noted the absence of capital commitment for student centres and for retrofitting for accessibility to existing buildings. He hoped that those gaps would be addressed by the time of next year's status report.

12. Capital Project: Centre for Cellular and Biomolecular Research

Miss Oliver said that $29.2-million funding for the Centre for Cellular and Biomolecular Research had been provided by the Canada Foundation for Innovation (C.F.I.), with matching funds of $30-million from the Ontario Innovation Trust (O.I.T.) Other funding had been provided by the University Infrastructure Investment Fund and other sources bringing total committed funding to $64.5-million plus $4-million for equipment. The total cost of the project, originally estimated at $105.143-million plus $2.54 million for equipment, had been reduced to $96.8 million plus $4 million for equipment. That reduction reflected an abatement in the inflation in construction costs in the Toronto area, allowing some reduction

12. **Capital Project: Centre for Cellular and Biomolecular Research** (Cont'd)

in the original $13-million budgeted for future cost escalation. Factors figuring into the cost were the restricted space at the proposed location, the site-preparation costs, the moving of water and sewer lines, the expansion in the electrical and cooling infrastructure because of the overtaxed system in this sector, the significant investments in mechanical and electrical systems required to support the research programs, and the further mechanical investment required for the animal isolation facility. The facility would have two floors below grade and twelve above. Floors five to twelve would be half the size of the floors below. To save costs, floors seven to twelve would be shelled. Services would be provided to those floors and then capped. The resulting reduction in cost would be $15.7 million, bringing the building cost to $81.1-million and leaving a shortfall of $16.6 million. It was planned that the shortfall would be made up through private-donor fund-raising. In the event that fundraising did not succeed in raising the full amount, the fallback plan would be a mortgage loan, with principal and interest to be repaid by contributions from the Faculties of Medicine, Pharmacy, and Applied Science and Engineering, either in cash or from increased PhD enrolments. Miss Oliver proposed authorization to expend up to $10 million to proceed with the design and development work.

Professor Venter added that this was a very exciting project, brought forward with a responsible financial plan. Approval of the proposed allocation would allow the administration to move ahead with design, with the intention that construction would begin in twelve months.

Dr. Naylor was invited to speak. He noted the centrality of the building to the Faculty of Medicine's plans, and he stated that the financing model was responsible and achievable, with high potential for success. He spoke to the emergence of an era of bio-technology, in which it would be critical for the Faculty of Medicine to draw in resources from other professional Faculties such as Pharmacy and Engineering. He recalled that this project had drawn the largest ever C.F.I grant. The project identified a set of research platforms that should transform the basis of the life sciences in the University. The project was immensely exciting to the academic members of the faculties involved, it was a tremendously enriching opportunity for graduate students, and it had the potential of catalyzing life-science research across divisions internally and externally. Dr. Naylor reported that colleagues in the United States had viewed this proposal as highly positive, and he thought it was important to proceed immediately to maintain the credibility of the University of Toronto with the C.F.I. and the O.I.T. Addressing the question of funding, Dr. Naylor said that Vice-President Dellandrea had been working hard on raising funds for this project, and he was confident that a lead donor could be found in the next two to three years. This was a project of great magnitude and importance, and once the shelled floors were constructed naming opportunities would allow for continued fund-raising. Further, if the backup plan were needed, he was convinced that the careful planning involving additional graduate enrolment would maintain the fiscal stability of the project until donors fell into place.

12. **Capital Project: Centre for Cellular and Biomolecular Research** (Cont'd)

Dr. Dellandrea confirmed that he saw every indication that support would be in place in less than three years.

The President stated his belief that this project was critical to the University's standing in the bio-medical field. He and Professor Munroe-Blum had met with C.F.I. officials in Ottawa to lobby for an addition to the original grant. That additional funding had been provided and it was important that the project now go forward. He assured the Board that he and the Provost were convinced that the proposed financing plan, to be repaid from the proceeds of increased PhD enrolment, would be a feasible alternative if fund-raising did not yield the full amount of the shortfall for the project.

A member wondered if proceeding with a shortfall in funding and shelled floors would be setting a precedent. Further, he was interested in knowing what the additional cost would be to complete all floors and at what point the University would see proceeding without full funding as inadvisable.

Miss Oliver responded that it would cost an additional $15.7 million to complete all floors. She added that proceeding in this way would not establish a precedent, recalling the Lash Miller Chemical Laboratories where half the fourth floor had been planned as a shell. In that case, before the extension had been finished, funding was in place and construction was able to continue as if shelling had not been contemplated.

In response to the second question, Professor Sedra said that the wisdom of proceeding without full funding was something which was considered building by building. He advised that the Board should be satisfying itself that there was a good backup plan. With respect to this project, the Board should be assured that the backup plan was very good.

A member asked if shelled floors satisfied C.F.I.'s conditions and how many graduate students were expected. Professor Munroe-Blum responded that C.F.I. conditions were met by this plan. Professor Sedra said that 70 additional graduate students would be accepted, an increase which would take place anyway. The backup plan meant that, if necessary, funding for those students would be allocated to this project rather than elsewhere.

A member spoke in support of the allocation and of the concept that decisions should be made project by project on whether to proceed without full funding in place. The member saw this as a classic example of partnership in the health sciences, an approach that would be expanding significantly in the next ten years. He was confident about the outcome of fundraising for this exciting project and saw no gamble in proceeding.

The President reiterated that the administration had brought this proposal to the Board only after it was convinced of the workability of the backup plan. He perceived the question not as a funding shortfall but as a question of which source of funding would eventually support the project.

12. Capital Project: Centre for Cellular and Biomolecular Research (Cont'd)

Professor Munroe-Blum concluded the discussion by endorsing the project, stating that the proposal was clearly a statement of commitment to science and to the University of Toronto's being a world-class research-intensive university. A project of this magnitude would take time to complete, and she urged approval at this time so that the University could begin to refer to the facility in attracting outstanding faculty and students. She paid tribute to Dr. James D. Friesen, Chair of the Banting and Best Department of Medical Research, and to Dr. Cecil Yip, Vice-Dean Research of the Faculty of Medicine, who had led what she saw as a truly creative project.

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

YOUR BOARD APPROVED

THAT the Vice-President - Administration and Human Resources be authorized to expend up to $10-million for the design and site-development work related to the Centre for Cellular and Biomolecular Research.

13. Capital Project: 500 University Avenue: Renovations

Miss Oliver recalled that the building at 500 University Avenue had been purchased to allow the co-location of the teaching and research space of the programs in Occupational Therapy, Physical Therapy, and Speech-Language Pathology and the offices of the Faculty of Medicine's Continuing Education program. The estimated cost of renovations would be between $6.6- and $8.3-million. Approval was being sought to proceed with Phase 1, which was to relocate the Faculty of Medicine's Continuing Education division to the facility and to retain an architect to produce drawings, which would (among other things) help determine the final cost of the project.

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

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the project and approval of a $700,000 allocation from the University Infrastructure Investment Fund for Phase I of the project,

THAT the Vice-President - Administration and Human Resources be authorized to expend up to $0.7-million for the design and construction related to Phase I of the renovation of 500 University Avenue.

14. Capital Project: University of Toronto at Mississauga - Communications, Culture and Information Technology Building

Miss Oliver proposed approval for the design and site-development work related to a new building at the University of Toronto at Mississauga (U.T.M.) to house an interdisciplinary program in Communications, Culture and Information Technology (C.C.I.T.) offered jointly with Sheridan College. Primary funding of $15.6-million had been received the previous year from the Ontario SuperBuild Growth Fund. The proposed facility would be 10,485 gross square meters, including a 500-seat lecture theatre, 10 laptop and computer classrooms, and research laboratories occupying 33% of the total space. There was currently a funding shortfall of about $18-million, which was expected to be realized through private donations and, if necessary, the proceeds of increased enrolment. The administration was proposing the expenditure of up to $2.8-million for design and development, including consideration of an underground parking garage to accommodate up to 400 cars.

Invited to comment, Principal McNutt added that the C.C.I.T. building would be an important component of the expansion plans for the U.T.M., which was expected to grow by up to 50% in the next several years. The proposed joint endeavour with Sheridan College combined the strengths of the two institutions for a first-class program, which would likely form the basis for a graduate program. This project had an unprecedented $3.5-million of funding support from the City of Mississauga and was seen as important to the growth of that City. Principal McNutt believed it was very important to proceed at once because the facility was badly needed and also to recognize and reinforce cooperation between the U.T.M. and the City of Mississauga. The scientific work that would be accommodated in the proposed research laboratories would be first-rate. Principal McNutt was confident that fundraising activity would be successful, with the project providing several naming opportunities - for the building itself and for the lecture theatres. It would indeed be very important to the U.T.M. that fundraising succeed; the additional operating funds deriving from the planned enrolment increase would be required to teach the additional students.

In response to a member's question, Principal McNutt said that U.T.M. would propose that a parking garage be built under the proposed C.C.I.T. building. That proposal would proceed to the Planning and Budget Committee on June 27. The cost of the garage would be financed, with the mortgage loan being paid from parking fees. Site testing work was currently in progress, and the results of that work would be required to formulate an estimate of the cost of the garage.

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

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the project and approval of a $2.5-million allocation from the University Infrastructure Investment Fund,

14. Capital Project: University of Toronto at Mississauga - Communications, Culture and Information Technology Building (Cont'd)

THAT the Vice-President - Administration and Human Resources be authorized to expend up to $2.8-million for the design and site-development work related to the University of Toronto at Mississauga Communications, Culture and Information Technology Building.

15. Capital Project: Open Space Plan, Phase 1 - King's College Circle Precinct

Miss Oliver said that architects had been commissioned to develop a schematic plan for the King's College Circle Precinct, and she referred the Board to the model at the back of the room. The Governing Council had approved an allocation of $2.5-million for the project from the University Infrastructure Investment Fund, and private funding had been secured in the amount of $1.5 million. Fundraising efforts were continuing to raise the remainder of the $12.7-million project cost. The administration was proposing to proceed with Phase 1, which included the preparation of design development drawings for the entire precinct and the preparation of tender drawings for the yards on King's College Road, King's College Road itself and the interface at Convocation Plaza, Knox Walk and Sir Daniel Wilson Walk. It was hoped construction could begin next summer.

A member expressed his extraordinary pleasure at seeing the proposal proceed. The archives were full of wonderful plans that had never been undertaken, and it was heartening to see that this plan would proceed. In response to a member's question, Miss Oliver said that apart from drop-off points for people with handicaps and for unloading service vehicles, there would be no car parking on the precinct.

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

YOUR BOARD APPROVED

THAT the Vice-President - Administration and Human Resources be authorized to complete Phase 1 of the King's College Circle Precinct project at a cost not to exceed $1,500,000.

16. Capital Project: Early Learning Centre, St. George Campus

Miss Oliver said that that to clear the site at 100 Devonshire Place it was proposed to relocate Margaret Fletcher Daycare Centre and Nancy's Part-time Childcare Centre to a new facility to be merged administratively with Kidspace Daycare. The new facility, offering 102 licensed spaces, would assist in meeting the demand for infant and toddler care. The new facility would be located at 5-13 Glen Morris Avenue and would require the demolition of two

16. Capital Project: Early Learning Centre, St. George Campus (Cont'd)

houses and the use of a parking lot. Total projected cost was $4.3 million, of which $100,000 was to pay down the outstanding loan on the property at 11 Glen Morris. Full funding was to be provided by the University Infrastructure Investment Fund.

The Chair observed that the proposed centre was a very expensive one, and he urged the administration to continue seeking savings on this project. He noted that the authorization was for a project cost not to exceed $4.3-million, and he hoped that the final cost would be significantly less that that amount.

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

YOUR BOARD APPROVED

Subject to Governing Council approval in principle of the project and approval of a $4.3-million allocation from the University Infrastructure Investment Fund for the Child Care facility,

THAT the Vice-President - Administration and Human Resources be authorized to execute the Early Learning Centre project at a cost not to exceed $4,300,000.

17. Quarterly Report on Donations of $250,000 or More

The Chair noted that the following three reports for information had been designated as "consent agenda" items. Members had been invited to call the officers listed on the green sheets covering each report if they had any questions for clarification. Members had also been invited to call the Secretary if they had any concerns and wished the Board to consider any of the reports individually. No member had done so.

The Board received for information the Quarterly Report on Donations of $250,000 or More.

18. Environmental Protection Policy: Annual Report on Implementation, June 2001

The Board received for information the Annual Report on Implementation of the Environmental Protection Policy.

19. Risk Management and Insurance: Annual Report, April 2001

The Board received for information the Annual Report on Risk Management and Insurance.

20. Reports of the Administrative Assessors

(a) Budget: Impact of the Province of Ontario Budget

Professor Sedra noted that he had reported in detail to both the Planning and Budget Committee and the Academic Board on the impact of the Province's recent Budget. That Budget contained some very good news: the Province had accepted the need to fund new student spaces in Ontario universities at the full average cost. Those spaces were required to deal with the double cohort of students about to graduate from the old five-year and new four-year secondary school programs in 2003 and to deal with the forthcoming increase in the number of the people of post-secondary student age. The University of Toronto planned to fulfill its obligation to enrol some of the increased student population and to take full advantage of the concomitant increased funding to the general benefit of the University.
The Budget, however, also contained some bad news. The University's Budget Report for 2001-02, brought forward in April, had a shortfall of $14-million between its revenues and its planned spending. To address the shortfall, the University had planned a $10-million one-time-only budget reduction or claw-back, over and above previously planned reductions. Professor Sedra had hoped that it might not be necessary to impose that full claw-back, but the Government Budget did not make provision for any inflationary increase in operating funds, whereas the University's budget model had assumed a 2% increase. The only increase provided would be for additional enrolment. The result would be funding of about $6.5-million less than projected in the budget model. Professor Sedra would propose addressing the matter on a one-time-only basis rather than making further base-budget reductions. He would not however, be able to reduce the claw-back, as he hoped he might have been able to do. All divisions had been notified that the claw-back would proceed. Professor Sedra would honour the commitment not to remove monies from divisional budgets until the third quarter, but he had advised divisions that it would be prudent to make the claw-back payment as soon as possible, especially if carry-forward funds were available for that purpose.

Two matters arose in questions and discussion.

(i) Balanced-budget requirement. In response to a member's question, Professor Sedra commented on the Public Sector Accountability Act, announced in the Provincial Budget, that would require all major organizations that receive Provincial funding to balance their budgets each year. The University continued to monitor developments with respect to the proposed legislation and to forward the view that the University should be permitted to continue its highly successful process of long-term budget planning, which had led, and would continue to lead, to a balanced budget over the years. The University of Toronto had historically been very responsible in using its long-term planning, and Professor Sedra anticipated that a continuation of that planning should be satisfactory to the Government. The Government should be very reluctant to interfere with university autonomy.

(ii) University responsibility for inadequate public funding. A member asserted that the University was partly to blame for the inadequacy of public funding. It had failed to demonstrate to the Government and the population at large how much the universities had

20. Reports of the Administrative Assessors (Cont'd)

(a) Budget: Impact of the Province of Ontario Budget (Cont'd)

come to depend on tuition fees for their funding. As a consequence governments could escape political harm for providing an unacceptably low level of public funding.

(b) Michael G. Finlayson

The Chair directed member's attention to the regular, but final, "newsletter" memorandum from Professor Finlayson, which had been placed on the table. Professor Finlayson observed that he had served the Business Board for ten years, for six of them as Senior Assessor. He thanked members of the Board for their consistent support throughout that period. Members, in particular those from outside the University, served on the Board voluntarily and without compensation, and their dedication to the interests of the institution had never failed to astound Professor Finlayson. The long-term credibility of the University depended heavily on the active participation of the external Board members. Professor Finlayson thanked members for their contributions to the University's governance and for the help and support they had given to him.

21. Michael G. Finlayson

The Chair congratulated and thanked Professor Finlayson for his extraordinary achievements through his decade of service to the University as Vice-President. Those ten years were turbulent ones of severe government funding reductions, but the University had nonetheless come through them with no strike by any full-time staff group and with a series of multi-year agreements with the Faculty Association. The University had completed a sweeping and successful decentralization of administrative services and a major expansion of its buildings and property. The Chair thanked Professor Finlayson for his helpfulness and good humour through his three years as Chair. Among his services had been sharp reminders of steps to be taken to keep the Board's discussions on time. To reciprocate with this assistance in time management, the Chair, on behalf of the Board, presented Professor Finlayson with a desk clock, engraved as follows:

Michael G. Finlayson
for exemplary service to the
Business Board of the Governing Council
University of Toronto
1991 - 2001

22. Date of Next Meeting

The Chair said that the next regular meeting was scheduled for Tuesday, October 9, 2001 at **4:30 p.m**., the day after Thanksgiving.

23. Other Business

Investments: Ethical Criteria

A member submitted an article entitled by Charlie E. Fiskeaux entitled "Heartfelt and Heady Investments," which had appeared in the January / February 2001 issue of the publication *Trusteeship*, published by the U.S. Association of Governing Boards. The member asked that the article be distributed to other members of the Board. The article described action taken by a number of U.S. universities to divest their shares in tobacco companies. Although he would not be on the Board in the coming year, the member hoped that the matter would be taken up by the Governing Council in the new year. He gave notice of motion:

> THAT the University divest its shares of tobacco companies, weapons manufacturers, and clothing manufacturers that violate the University of Toronto Code of Conduct for Trademark Licensees.

THE BOARD MOVED *IN CAMERA*.

24. Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2001-02

The Chair noted that the proposed membership of the Audit Committee would depart from the usual composition of that Committee in two ways. First, the membership would exceed the usual number by one, but the additional member would be highly desirable for purposes of continuity. Second, the membership would include four rather than the usual five members of the Governing Council or Business Board, but an insufficient number of members of the latter bodies chose to serve. Because the Audit Committee was a technical one rather than a representative committee, and because it had no approval authority (it only made recommendations to the Business Board) those departures were undesirable but acceptable.

On the recommendation of its Striking Committee,

YOUR BOARD APPROVED

(a) THAT Mr. David Keeling be appointed to the Business Board for a one-year term from July 1, 2001 to June 30, 2002;

(b) THAT Mr. George E. Myhal and Mr. Richard Nunn be appointed to the Business Board for a three-year terms from July 1, 2001 to June 30, 2004;

24. <u>Report of the Striking Committee: Co-opted Membership of the Business Board and the Audit Committee for 2001-02</u> (Cont'd)

(c) THAT the following be appointed to the Audit Committee for one-year terms from July 1, 2001 to June 30, 2002:

Mr. Donald A. Burwash
Ms Christine Capewell
Ms Paulette L. Kennedy
Ms Kwai Li
Mr. Paul E. Lindblad
Mr. Richard Nunn
Mr. Roger H. Parkinson; and
Professor Wally Smieliauskas;

and

(c) THAT Mr. Robert S. Weiss be re-appointed Chair of the Audit Committee for a one-year term from July 1, 2001 to June 30, 2002.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:30 p.m.

Secretary	Chair

June 28, 2001

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