UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 121 OF THE BUSINESS BOARD

November 11, 2002

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, November 11, 2002 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Amir Shalaby (In the Chair)
Dr. Thomas H. Simpson, Chair of the Governing Council
The Honourable Henry N. R. Jackman, Chancellor
Professor Robert J. Birgeneau, President
Mr. Felix P. Chee, Vice-President - Business Affairs
Professor Angela Hildyard, Vice-President - Human Resources
Mr. Donald A. Burwash
Mr. Brian Davis
Dr. Claude S. Davis
Professor Sherwin S. Desser
Ms Susan Eng
Professor Brian A. Langille
Mr. Gerald A. Lokash
Ms Kim McLean
Mr. George E. Myhal
Mr. Roger P. Parkinson
Mr. Chris Ramsaroop
Mr. Timothy Reid
Mr. John H. Tory
Mr. Robert S. Weiss
Dr. Sheldon Levy, Vice-President - Government and Institutional Relations
Professor Shirley Neuman, Vice-President and Provost
Professor Carolyn Tuohy, Acting Vice-President, Research and International Relations
Mr. John Bisanti, Chief Capital Projects Officer
Ms Sheila Brown, Controller and Director of Financial Services
Mr. Louis R. Charpentier, Secretary of the Governing Council
Professor Derek McCammond, Vice-Provost, Planning and Budget
Ms Catherine J. Riggall, Assistant Vice-President, Facilities and Services
Professor Ronald D. Venter, Vice-Provost, Space and Facilities Planning

Secretariat:

Mr. Neil Dobbs, Secretary
Mrs. Beverley Stefureak

Regrets:

Mr. Mark Braun
Mr. H. Garfield Emerson
Mr. Paul V. Godfrey
Ms Shirley Hoy
Mr. Richard Nunn
Ms Jacqueline C. Orange
Mr. John F. (Jack) Petch
The Hon. David R. Peterson
Ms Carol Stephenson

In Attendance:

Professor David Jenkins, member, Governing Council
Ms Judith Chadwick, Associate Director, Government Research Infrastructure Programs and Director, Connaught Programs, Office of the Vice-President, Research and International Relations
Mr. Donald W. Lindsey, President and Chief Executive Officer, University of Toronto Asset Management Corporation
Professor George Luste, President, University of Toronto Faculty Association
Mr. Brian Marshall, Director of Human Resources

In attendance: (cont'd)

Ms Erin McGinn, Director, Operations and Government Relations, Office of the Vice-President, Research and International Relations
Ms Margaret McKone, Administrative Manager, Office of the Governing Council
Dr. Peter B. Munsche, Assistant Vice-President, Technology Transfer
Ms Rosie Parnass, Quality of Work Life Advisor and Special Assistant to the Vice-President, Office of the Vice-President - Human Resources
Ms Sarah Pearce, Office of the Vice-President, Business Affairs
Mr. Pierre Piché, Associate Controller
Mr. Allan Shapira, Hewitt Associates

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

The Chair reported that the President had named two recently appointed Vice-Presidents as non-voting assessors to the Board: Principal Ian Orchard of the University of Toronto at Mississauga and Principal Paul Thompson of the University of Toronto at Scarborough. Like other non-voting assessors, it was anticipated that the Principals would attend only those meetings of the Business Board at which matters of special importance appeared on the agenda. It was expected that their membership would ensure a strong link between the Board and the Mississauga and Scarborough campuses, as they embarked on their major expansion programs.

Before proceeding with the Agenda, the Chair asked members for approval to add to the Agenda.

On motion duly moved and seconded, it was RESOLVED

> THAT, pursuant to section 32(d) of By-Law Number 2, the Board add to its agenda: (a) Professor Hildyard's proposal concerning early retirement arrangements for professional/managerial and confidential staff, and (b) the Chair's proposal to appoint one further member to the Audit Committee; and
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> THAT, pursuant to section 33(ii) of By-Law Number 2, consideration of the proposal to appoint an additional member to the Audit Committee take place *in camera*.

1. Report of the Previous Meeting: Report Number 120 - September 30, 2002

Report Number 120 (September 30, 2002) was approved.

2. Business Arising from the Report of the Previous Meeting

There was no business arising.

3. Research and International Relations: Annual Report of the Vice-President, 2001-02

Professor Tuohy presented the annual report of the Vice-President, Research and International Relations and the highlights of the Division's plans for 2002-03. A copy of the presentation slides is attached hereto as Appendix "A". The report had been presented to the Committee on Academic Policy and Programs, but given the magnitude and centrality of research to the mission

3. Research and International Relations: Annual Report of the Vice-President, 2001-02 (cont'd)

of the University and the significant revenue involved, Professor Tuohy was pleased to accept the Chair's invitation to present the report to this Board as well. Professor Tuohy highlighted areas of her report. She noted that the most significant measurement of success in attracting research funding was grant dollars per faculty member awarded by peer review. Among the country's ten largest research universities (the G10) the average grant per faculty member at the University of Toronto versus the national average showed that in grants awarded by the Natural Sciences and Engineering Research Council (NSERC) the University was 75% higher than the national average and first among the G10. In grants awarded by the Social Sciences and Humanities Research Council (SSHRC), U. of T. received double the national average and was second only to the University of British Columbia.

Professor Tuohy referred briefly to selected accomplishments, among which advocacy for research support and investment was important. The first step had been achieved in convincing the federal government of the importance of funding the indirect costs of research. The office had also successfully supported renewal of the Ontario Centres of Excellence and a significant provincial re-investment in the Ontario Research and Development Challenge Fund, the Ontario Innovation Trust and the Premier's Research Excellence Awards.

Noting that these were clearly the achievements of individual faculty members, Professor Tuohy highlighted a number of the awards and honours that faculty members at the University had been awarded in the past year. Among these were the first two $1 million Premier's Platinum Medals for Research Excellence from the Province of Ontario.

The office had launched a University-wide *My Research Online* service and a faculty recruitment brochure, and had conducted a number of workshops related to the needs of faculty and staff at OISE/UT to increase knowledge of and participation in Government Research Infrastructure (GRIP) and funding programs. The office had been active in the advancement of the MaRS Discovery District as well as a number of activities related to intellectual property management and technology transfer, including the development of a new *Copyright Policy.*

Maintaining the research and international profile of the University of Toronto had continued to be a key function of the office. The publication, *Edge*, had continued on a quarterly basis and had earned the second Gold Award from the Canadian Council for the Advancement of Education.

Looking ahead, Professor Tuohy recognized that this would be a key year for working with the federal government, which had recently published an innovation strategy. The strategy was highly positive and friendly toward research-intensive universities. It would be important to continue emphasizing the critical importance of research. The goal for next year was to achieve permanent funding for up to 40% of indirect costs of research and increased support for the federal funding agencies and graduate students including international students.

At the provincial level, the office would be aiming for a strong relationship with the newly established Ministry of Enterprise, Opportunity and Innovation. As well, Professor Tuohy would be working toward the preservation and enhancement of the Research Performance Fund and the Research Overhead Infrastructure Envelope.

3. Research and International Relations: Annual Report of the Vice-President, 2001-02 (cont'd)

At both levels of government, the University would be advocating enhanced funding in the social sciences and humanities. Both governments needed to understand that an innovative climate was best nurtured within a social context. The objectives would be to increase absolute and per capita funding for social sciences and humanities research and to increase success rates for grants.

Relative to intellectual property management and technology transfer, Professor Tuohy stressed that a focus on commercialization of university research was important but that it must be discovery driven research or there would be nothing worthy of commercializing. Research potential needed to be realized within the mission of the University. The office would be working with the Innovations Foundation and the MaRS Discovery District and assisting in the establishment of a small business incubator near UTM.

In closing, Professor Tuohy emphasized that as the next academic planning exercise unfolded, the Office of Research and International Relations would be fully engaged. She hoped to work with the Planning and Budget Office to establish international benchmarks for the measurement of success in research funding and productivity. Knowing that the University of Toronto has achieved national excellence, it was now important to illustrate that it compared favourably with the best institutions internationally.

A member asked about the distribution of Canada Research Chairs to the Social Sciences and Humanities. Professor Tuohy responded that 42 out of the 267 Chairs awarded to the University of Toronto were in the Humanities and Social Sciences. All of them had been allocated to clusters and twenty of the Chairs had been filled to date.

In response to a question, Professor Tuohy indicated that the MaRS Discovery District was proceeding as planned. Dr. Munsche added that the acquisition of a third and final piece of land was underway and construction had begun on the two sites currently owned by MaRS. He hoped a third site could be acquired soon.

A member asked how funding revenue for research compared with peer institutions in the United States. Professor Tuohy and the President indicated that in terms of government and funding agencies, it was difficult to draw comparisons because of significantly different funding formulae. For example, in the U.S., grants included an amount for overhead costs and summer salaries. With respect to industrial research funding, the University of Toronto, among its peers, ranked in the middle to the top of the scale.

A member asked whether technology transfer was a priority for the University of Toronto, since there were no charts related to technology transfer in the report. Professor Tuohy said that, in the performance indicators prepared for the Governing Council, the number of spin-off companies was reported, as was the gross licensing revenue and the number of new licenses, compared to the G10 universities and against peers in the United States. This was a fairly new area in Canada and universities and governments were still learning how to support the commercialization of research results.

A member asked what the strategy was to increase funding in the social sciences and humanities. Professor Tuohy stressed the need to increase awareness among funding agencies. In its lobbying efforts, the University had highlighted a number of areas of research in the social sciences and humanities that had had unexpected social impact. We would need to continue making particular

3. Research and International Relations: Annual Report of the Vice-President, 2001-02 (cont'd)

efforts to make the point that basic enquiry led to an environment in which creativity and innovative thought flourished generally. She gave the example of how Harold Innis's study of the fur trade in Canada helped to shape Marshall McLuhan's thought about modern communications.

A member asked if international programs were by and large partnerships with international universities or efforts undertaken by the University of Toronto alone. Professor Tuohy responded that many endeavours were with the Canadian International Development Agency, some were in bilateral partnerships with international universities and many others were undertaken by the University itself dealing with agencies and/or international foundations.

4. Electrical Supply Enabling Agreement with Ontario Power Generation

Mr. Chee reviewed the highlights of his memorandum of October 22, 2002 asking for approval to proceed with an enabling agreement with Ontario Power Generation (OPG) for the supply of electricity to the University of Toronto at a fixed price.

In response to a question, Mr. Chee explained the implications of the agreement. The University would agree to purchase electricity from OPG at the market price. If the cost of electricity went up, OPG would pay the University the difference between the market price and the agreed-upon fixed price. If the price went down, the University would be obliged to pay OPG the difference between the lower price and the fixed price. The risk to the University was that in the former scenario OPG might not be able to meet its pay-back obligations. He further explained that the length of the contract was three years but that the University would be in a position to monitor its risk on a monthly basis.

Given the announcement from the Provincial Government that afternoon that rates would be capped, a member asked why the Board should proceed with consideration of the proposal. Mr. Chee explained that, because the announcement had been made only an hour before this meeting began, it was too soon to assess the details. Once those were understood, it was possible that the proposed agreement with OPG would be unnecessary. If, on the other hand, the new Provincial policy would not provide budget protection for the University, it would be important to proceed with the contract, and approval would be required from the Board for the policy exemption.

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

YOUR BOARD APPROVED

THAT for purposes of negotiating a fixed commodity price electricity supply agreement, an exemption to the usual minimum credit rating requirement be granted to the Vice-President, Business Affairs.

5. Pension Plans: Annual Financial Report

Mr. Weiss reported that the Audit Committee, at its meeting of October 30, had reviewed the annual financial report on the University's three retirement plans. That report included, for the two registered plans, the audited financial statements and a summary of the actuarial reports.

5. Pension Plans: Annual Financial Report (cont'd)

The actuary, the Controller, and the external auditors were present for the Audit Committee's discussion. The Committee's primary duty in reviewing the report was to satisfy itself, and the Business Board, that the pension arrangements were in sound financial condition.

Mr. Weiss stated that, as at the July 1 valuation date, both of the University's registered pension plans remained in a substantial actuarial surplus. He cautioned, however, that the Vice-President, Business Affairs had advised the Audit Committee of two matters that he was monitoring. First, the actuarial value of a pension plan's assets was determined using an averaging mechanism that smoothed the effects of the short-term ups and downs of the securities markets. While the actuarial value of the main pension plan's assets was $2.1-billion as at July 1, the market value was $1.9-billion. The stock markets were lower now than they were on July 1, meaning that the market-value surplus had declined or been eliminated. Second, while the pension plan's assets had been declining for the past two and a half years, its accrued liability had been growing substantially at a compound annual rate of 5.4%. Mr. Chee had commissioned a study of the liabilities of the pension plans and had initiated a review of the *Pension Master Trust Investment Policy* to ensure that the investment policy was appropriate for the liabilities. Mr. Chee planned to present proposed revisions to the *Policy* early in 2003. Most importantly, Mr. Chee had assured the Committee that the fund would be properly funded.

Mr. Weiss noted that in the past several years, because of the surplus in the two registered plans, the University had been able to devote a substantial portion of its budget for pension benefits to the Supplemental Retirement Allowance (SRA), investing that money in the Long-Term Capital Appreciation Pool (LCAP). As at July 1, 2002, the accrued liability for the SRA was $127-million, with $89-million in a special fund set aside to match the SRA liability, leaving a need to accumulate $38-million more to fully match the accrued liability. Again, Mr. Chee had drawn the Audit Committee's attention to a matter he was watching carefully. As salaries had increased, and the maximum permissible pension under the registered pension plan had not, more faculty and staff had become covered by the SRA with the result that the University's accrued liability under the SRA had been growing at a compounded annual rate of 13.6%.

Mr. Weiss recalled that in June, he had cautioned the Board that the severe declines in the stock markets were presenting the University with a real challenge. If markets continued in the doldrums, the University would be unable to depend indefinitely on meeting current endowment payout commitments using the investment returns from endowment capital. Similarly, while the registered pension plans remained in satisfactory financial condition, that could change dramatically if the slump in capital-markets were prolonged. The administration was well aware of those challenges and planned to take steps to meet them, both with proposed revisions to the pension-fund investment policy and with the budget plans next spring.

The President added his assurance that the administration was considering these challenges carefully, with Mr. Chee assuming lead responsibility. The University clearly required an investment strategy that would guarantee the continued viability of what was a very solid pension plan. It was appropriate to rethink the current aggressive policies that had been formulated in the 1990s. It would be essential that the rethinking be careful. Even after the market declines of the past two and one-half years, the asset categories stressed by the policies – U.S. and other foreign stocks - had outperformed bonds over a ten-year period. The long-term approach reflected in the policies was therefore sensible but the review currently underway might determine that the asset mix was no longer the appropriate one.

5. Pension Plans: Annual Financial Report (cont'd)

Mr. Chee spoke to the targets of the pension plan and endowment investments. Both were aggressive, even in the long term. The current asset mix was determined after extensive modeling, designed to achieve those funds' objectives over the long-term. The problem was that achieving aggressive targets required an aggressive asset mix, that involved the risk of strong fluctuations in the short term. The current challenges were the result of an expensive pension plan and high payout on the endowment. The outcome was that it might be necessary from time to time, in market downturns, for the University to supplement endowment payouts with transfers from the operating budget and to increase the level of employer contributions into the pension plan.

A member spoke to a number of factors that, in his view, had an impact on investment performance. Two years ago the University had set ambitious goals including benchmarks based on the performance of funds in the United States. A decision had also been made to create the University of Toronto Asset Management Corporation (UTAM), effectively distancing the Business Board from decisions on investment management. The University had expected the good investment outcomes to continue, but they had not done so. The member had anticipated that if UTAM felt constrained by the asset allocation in the investment policies, it would advise the University and recommend changes. It had not done so. He was supportive of administration's review of the investment policy and looked forward to the recommendations that would emerge. In the meantime, he was concerned that immediate changes needed to be made to the asset mix and that there was a lack of clarity around whose responsibility it was to direct those changes.

Mr. Chee recalled that the University had decided to create UTAM to professionalize its investment management. The University had also decided to pursue the model of its American peers in setting performance targets. The strategy and the asset mix had been developed and recommended by UTAM, based on the aggressive return targets specified by the University, and the Business Board had approved the strategy. It was clear, in his view, that UTAM was accountable for asset allocation and for managing that asset allocation, and UTAM had accepted that responsibility. It was now necessary for the University to rethink and to articulate clearly its return objectives and risk tolerance.

Mr. Chee noted that the current policy gave UTAM the flexibility to vary the asset allocation from the benchmark contained in the investment policies. It could increase or reduce the proportion of equity and fixed-income investments as much as 10% above or below the benchmark. The member had expressed concern that UTAM had apparently not exercised that flexibility. UTAM had, however, diversified to a much greater degree than was immediately reflected in the report. In the endowment funds, the 80% equity allocation had been reduced to only about 50% in traditional stocks investments, with other investments diversified among hedge funds, commodities and real estate, for example. Also, even the traditional stock investments were diversified among large- and small-capitalization stocks and among managers with different investment styles. Diversification was the cornerstone of UTAM's defensive strategy.

The member tabled a proposal that would recognize UTAM as responsible for the asset allocation within the parameters specified by the Business Board and that would require UTAM to inform the Business Board immediately if, in its view, the asset allocation parameters became inappropriate relative to market conditions. UTAM would compare its performance to the SEI balanced median fund or some comparable measure rather than to the benchmark it currently used. Mr. Chee's review of the liabilities of the endowment and

5. Pension Plans: Annual Financial Report (cont'd)

pension fund liabilities should continue and a report, at least as it pertained to asset mix, should be made available to the Business Board within 30 days. Until that time, as a temporary measure, the mandate of UTAM should be changed to define the low end of the range to be held in equities in the LCAP as 50% (currently 70%) and in the pension fund as 30% (currently 50%). The proposed change would allow UTAM greater freedom to become more defensive if, in their judgement, such action were warranted. In the member's view, the need for these changes was immediate. It could not wait for the policy review. He believed the proposal would help to clarify who was responsible for the situation of significant reductions in investment returns in both the pension fund and the endowment pool during the past six months.

Mr. Chee thought it was clear that UTAM was responsible and accountable.

Supporting the member's view, another member noted that Mr. Lindsey was present and wondered if his comments would be helpful. The Chair indicated that, because the Board's focus at this meeting was on the financial health of the pension plans and the approval of their financial statements, it would not be appropriate to broaden the discussion with comments from guests.

In response to another question, Mr. Chee reiterated that the Business Board, in consultation with UTAM, had approved investment policies containing the percentage range within which UTAM had discretion to shift the asset mix. With the pension fund, UTAM was allowed to invest between 50% and 70% in equities. The Chair said that the Board was responsible for setting the ranges; UTAM was responsible and accountable for asset allocation within those ranges.

The Chair invited Professor Luste to speak. Professor Luste had distributed a letter to the Business Board outlining concerns with the University of Toronto Pension Plan. In his view, it was not a good plan over the span of a career; the major disadvantage was that members were captive to their exit salary. Since 1987, the University had realized hundreds of millions of dollars in benefits from the plan's surplus. At the same time, although most pensioners received adequate benefits, some did not. He believed younger employees should have a choice of whether they wished to have a defined benefit plan or a defined contribution plan. He noted that the University of Toronto was unique among its peers in having only the former. Over the past fifteen years, there had been a gradual shift in the burden of funding the pension plan away from the employer and toward the employee. While no one knew what direction the market would take, it was possible to control costs, which had been increasingly at an alarming rate over the past three years In closing, Professor Luste hoped to be invited back to a Business Board meeting at some time in the future to have a longer discussion about improving the plan.

The President commented that he was not opposed in principle to a defined-contribution or a hybrid plan but that any change would need to be the subject of ongoing discussion with the plan members. Given the recent market developments, he anticipated there would little appetite to change from a defined benefit plan at this time.

A member, who was also a member of the pension plan, expressed concern and lack of understanding about some of the earlier discussion. He wondered how the pension fund had performed relative to others of comparative size during the same period. The President stressed that nothing had changed from the point of view of members of the plan. Mr. Chee

5. Pension Plans: Annual Financial Report (cont'd)

added that the important measurement to consider was the difference between what was owed to members and the assets of the plan. On the asset side, the investment returns had not been strong relative to others, but they had also not been especially bad. The problem was on the liability side, where costs were escalating. While assets were related to the market, liabilities were not. In his view, the surplus in the University of Toronto pension plan had held up well overall relative to others of its size. Invited to comment, Mr. Shapira agreed. Though the plan was currently likely in a small market-value deficit, some other plans were dealing with large deficits. The surplus in the U. of T. plan over the years had afforded plan members a contribution holiday and plan improvements. Thus the positive return over the past ten years had been used constructively.

A member asked whether the member's proposal, which he saw as giving UTAM wider latitude in investing the pension funds, could be approved at this meeting. The President observed that it would be difficult to make an adequate judgement in the absence of the results of Mr. Chee's policy review. The Chair ruled that, since this would represent a revision to policy, it would not be appropriate for the Board to consider amendments without the full background and a recommendation from the administration.

A member asked for: clarification of the reason for the increase in the liability of the SRA; information about the impact of the $130 million reduction in the assets of the two other plans; and, an explanation of the expenses for external managers when UTAM had been created specifically to manage investments. Mr. Weiss responded to the first question, indicating that the increase in liability in the SRA was largely caused by the increasing number of employees who, because of increasing salaries and a static maximum limit on pension benefits from the registered plans, were eligible for this benefit. Mr. Chee responded to the second question by saying that the impact, if any, would be a requirement for higher contributions to sustain the viability of the plans. With respect to investment management fees, he informed the Board that UTAM managed only the funds invested in bonds and index futures. All other investments were handled by external firms identified by UTAM as appropriate managers. Thus, the statements showed both UTAM's operating costs and the cost to pay the external management fees.

A member asked what the difference was between "surplus" and "excess surplus". Mr. Shapira explained that the actuarial value of assets above the actuarial assessment of the accrued liability was called the plan "surplus." Under a provision of the *Income Tax Act,* if the actuarial value of the assets was over 10% above the plan's accrued liability, the amount above 10% surplus was described as an "excess surplus". Once the plan was in a position of "excess surplus", the employer was not permitted to make further contributions. The "excess surplus" could be reduced by the required employer contribution holiday and could be used for an employee contribution holiday or plan improvements for members. There was no fixed time for using an "excess surplus".

In response to a question, Mr. Chee said that the rate of the return on the special fund set aside to match the liability of the SRA was the same as the return on the LCAP because that was where this special fund was invested. A further question related to the source of funds for this special fund. Ms. Brown responded that the University had a strategy in place for the funding of the SRA until 2004. The source of funds was the University's pension budget. Mr. Chee added that although the University had been unable to contribute to the registered pension funds because of their excess surplus, it had continued to budget for three quarters of the cost of the usual pension plan contribution. Some of this budget had been used to build up the

5. Pension Plans: Annual Financial Report (cont'd)

special fund to match the SRA liability. A member requested that a copy of the funding strategy for the SRA be provided to members of the Business Board.

On the recommendation of the Audit Committee,

YOUR BOARD APPROVED

(a) The audited financial statements of the University of Toronto Pension Plan, June 30th, 2002, a copy of which is included in Appendix "B" to Report Number 66 of the Audit Committee; and

(b) The audited financial statements of the University of Toronto (OISE) Pension Plan, June 30th, 2002, a copy of which is included in Appendix "B" to Report Number 66 of the Audit Committee.

6. University of Toronto Press Inc. - Annual Report and Financial Statements, 2001-02

The Chair noted that this item was on the consent portion of the agenda. No questions had been received from members. Nonetheless, given the importance of the work of the Press to the University, the Chair asked Mr. Weiss to comment briefly.

Mr. Weiss recalled that the Business Board had delegated to the Audit Committee stewardship responsibility with respect to the University of Toronto Press. While the Press was a not-for-profit corporation, the University relied heavily on its making a profit from some of its operations in order to fund its scholarly publishing operation, which was important to the work of the University but inherently unprofitable. The past year, operating in a difficult market environment, the Press had been remarkably successful, earning a net income of over $700,000. That had enabled the Press to pay $235,000 of participating interest to the University on the $3-million otherwise-interest-free portion of its loan and to contribute $235,000 to the University's Scholarly Publishing Trust Fund. Mr. Weiss referred members to the annual report for the year's operating highlights.

On the recommendation of the Audit Committee,

YOUR BOARD ACCEPTED

The annual report and financial statements of the University of Toronto Press for the year ended April 30th, 2002, a copy of which is attached to Report Number 66 of the Audit Committee as Appendix "A".

7. Human Resources: Early Retirement Window and Bridge Benefits for Professional/Managerial and Confidential Staff

Professor Hildyard referred to her memorandum of November 11, which had been placed on the table. As a result of agreement with the United Steelworkers of America (USWA) and

7. Human Resources: Early Retirement Window and Bridge Benefits for Professional/Managerial and Confidential Staff (cont'd)

local 3261 of the Canadian Union of Public Employees (CUPE), the Early Retirement Window had been extended for the staff represented by those unions. She requested approval of an extension of the same benefit to the Professional/Managerial and Confidential Staff groups until June 30, 2005. In additional she asked for approval to allow the University to bridge CPP benefits for such retirees until they were eligible to receive them. This affected only non-academic staff; faculty members had a different voluntary early retirement arrangement. She anticipated that the cost of the proposal would not exceed $360,000 over the three-year period.

The Chair reminded members of the By-law requirement that employees or immediate family members of employees, excepting the President and the Vice-Presidents, not move, second or vote on this motion.

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

YOUR BOARD APPROVED

(a) THAT the University extend the early retirement window for members of the administrative staff age 55 and over whose age plus years of service equal at least 75, who are not already eligible for this provision by virtue of their collective agreement, to June 30th, 2005; and

(b) THAT for staff eligible to retire under the early retirement window, the University provide a "bridge benefit," payable until the retiree is eligible to receive the Canada Pension Plan pension, except that where an individual retires before the age of sixty (60), the bridge benefit will be reduced by three percent (3%) per year for each year of retirement prior to age sixty (60).

8. Capital Projects Report

Mr. Bisanti presented the Capital Projects Report using PowerPoint. (A copy of the slides is attached as Appendix "B".). He drew members' attention to a copy of the capital plan, which had been updated for recent events and placed on the table for the meeting.

9. Report Number 66 of the Audit Committee – October 30, 2002 – Items for Information

The Board received the items for information contained in Report Number 66 of the Audit Committee (October 30, 2002).

10. Reports of the Administrative Assessors

Mr. Chee reported that, as indicated at the Governing Council meeting on November 7, the City of Toronto had raised late objections to the construction of the proposed new University College Residence on Site 22. Internally, the University had made the decision not to build on the back campus and there had also been objections to using the site that would have closed off

10. Reports of the Administrative Assessors (cont'd)

the Sir Daniel Wilson quadrangle. Negotiations were continuing with the City, but it might be necessary to consider sites that were not contiguous to University College.

Professor Hildyard reported that an agreement had been reached with the United Steelworkers of America, the union representing a large proportion of the University's administrative staff, as well as with the Library workers (CUPE 1290) and grounds and maintenance workers (CUPE 3261). The agreements were for three years and terms included across-the-board increases of 3% for each year. Negotiations were ongoing with the Ontario Public Service Employees' Union locals representing the campus police officers and a small group of staff at OISE/UT. She indicated that she would report in closed session on matters related to asbestos contamination and on the progress of negotiations with the Faculty Association.

Dr. Levy provided an update, using a PowerPoint presentation (attached as Appendix "C"), on discussions with the Government of Ontario concerning funding for the double cohort. Given the likelihood that there would be far greater demand for first-year spaces at Ontario universities than had previously been predicted by the Government, universities were discussing how the increased numbers could be accommodated and what support would be needed from the Government to make this feasible. The University of Toronto was modeling on what might be the case should 75%, 80% or 90% of the double cohort students graduate in 2003. There had been no question that capital funding support would be necessary for the University to accept its share if the projected proportion of graduands were to be 60%. If the numbers were to be higher, the University would need significant operating funding support as well, perhaps something like the inflation funding that had not been a reality for many years.

11. Date of Next Meeting

The Chair reminded members that the next regular meeting was scheduled for Monday, January 20, 2003. Because he anticipated that the agenda would be a heavy one, the Chair asked members to set aside an extra hour for the meeting, which would begin at 4:00 p.m.

12. Other Business

There were no items of other business.

THE BOARD MOVED *IN CAMERA*.

13. Closed Session Reports

Professor Hildyard reported on two items of business.

14. Audit Committee Appointment

On motion duly made and seconded

YOUR BOARD APPROVED

THAT Professor Gordon Richardson be appointed to the Audit Committee for 2002-03.

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 7:45 p.m.

Recording Secretary	Chair

November 25, 2002