

Memorandum to: Audit Committee

From: Felix Chee

For: Meeting of October 30, 2002

Item Identification: **Pension Plans: Annual Financial Report 2002**

Sponsor: Felix Chee, Vice-President, Business Affairs

Basis of Audit Committee's Jurisdiction

The Audit Committee reviews the annual financial report and recommends the annual financial statements for approval to the Business Board.

Action Sought

That the two pension funds' statements be recommended for approval by the Business Board.

Highlights:

Over the last two years a number of changes have been made to the financial management and investment of the assets of the University of Toronto Pension Plan and the University of Toronto (OISE) Pension Plan. Since May 1, 2000, the University of Toronto Asset Management Corporation (UTAM) has overseen the investment of the university's assets including its pension funds. Since August 1, 2000, the assets of both plans have been combined for investment purposes into a single Pension Master Trust.

As at July 1, 2002 the market value of the Pension Master Trust was \$2.0 billion with the University of Toronto Pension plan holding 95.4% of the assets of the Master Trust and the University of Toronto (OISE) Pension Plan holding the remaining 4.6%.

For the periods ended June 30, 2002, the four-year annualized return of the Pension Master Trust was 2.8% and the one-year return was -2.0% before fees and expenses. However, the Pension Fund significantly outperformed its one-year market indices benchmark rate of return by 2.9 percentage points. Fees and expenses totaled \$11.75 million, or 57.91 basis points.

A Supplemental Retirement Arrangement has been in place since July 1, 1996 to provide eligible members of the University of Toronto Pension Plan and University of Toronto (OISE) Pension Plan with additional retirement income to compensate for the limitations prescribed under the regulations under the Income Tax Act (Canada).

The accrued liabilities of the University of Toronto Pension Plan are growing at a compound annual growth rate of 5.4%, while accrued liabilities in the Supplemental Retirement Arrangement (SRA) are growing at a compounded annual growth rate of 13.6%. The accrued liability in the SRA was \$126.7 million at July 1, 2002.

The University of Toronto Pension Plan had a market surplus of \$87.1 million and an actuarial surplus of \$246.0 million at July 1, 2002.