

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 199 OF THE BUSINESS BOARD

September 24, 2012

To the Governing Council,
University of Toronto.

Your Board reports that it met on Monday, September 24, 2012 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

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| Mr. W. John Switzer (In the Chair) | Ms Judith Wolfson, Vice-President, University Relations |
| Ms. Shirley Hoy (Vice-Chair) | Ms Sheila Brown, Chief Financial Officer |
| Professor Scott Mabury, Vice-President, University Operations | Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto |
| Ms. Alexis Archbold | Mississauga |
| Mr. Andrew Arifuzzaman | Ms Kim McLean, Chief Administrative Officer, Faculty of Arts & Science |
| Mr. Jeff Collins | Ms Gail Milgrom, Acting Assistant Vice-President, Campus and Facilities Planning |
| Mr. Ian Freedman | Ms Christina Sass-Kortsak, Assistant Vice-President, Human Resources |
| Mr. Arthur Hinmaa | Mr. Ron Swail, Assistant Vice-President, Facilities and Services |
| Ms. Zabeen Hirji | |
| Ms. Paulette Kennedy | Ms. Sheree Drummond, Secretary |
| Professor Michael R. Marrus | |
| Mr. Gary P. Mooney | |
| Ms. Catherine Riddell | |
| Mr. Peter Robinson | |
| Professor Andrea Sass-Kortsak | |
| Mr. Howard Shearer | |
| Mr. Chris Thatcher | |
| Professor Steven J. Thorpe | |
| Ms B. Elizabeth Vosburgh | |
| Ms. Nana Zhou | |

Regrets:

| | |
|-------------------------------------|-------------------------|
| The Honourable Michael H. Wilson | Mr. Richard B. Nunn |
| Professor C. David Naylor | Mr. David Palmer |
| Ms. Celina Rayonne Caesar-Chavannes | Ms. Penny F. Somerville |
| Ms. Sally Garner | Ms. Anne MacDonald |
| Ms. Judy Goldring | Professor Cheryl Misak |
| Professor Angela Hildyard | Mr. W. Keith Thomas |
| Professor Edith Hillan | Ms Rita Tsang |

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In Attendance:

Mr. Alex Brat, Office of the Vice-President, Human Resources & Equity
Mr. Tad Brown, Senior Legal Counsel, Office of the Vice-President, Advancement and Office of the Vice-President, University Operations
Mr. John Hsu, University of Toronto Asset Management Corporation
Mr. Michael Kurts, Assistant Vice-President, Strategic Communications and Marketing
Mr. William Moriarty, President and CEO, University of Toronto Asset Management Corporation
Ms Gillian Morrison, Assistant Vice-President, Divisional Relations and Campaigns
Mr. Darren Smart, University of Toronto Asset Management Corporation
Ms. Archana Sridhar, Assistant Provost
Mr. Trevor Rodgers, Manager, Academic Planning & Analysis

ALL ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

1. Introduction and Chair's Remarks

The Chair welcomed members to the first meeting of the Business Board for 2012-13.

2. Calendar of Business, 2012 – 13

The Chair reviewed the Calendar of Business and advised members that it showed the items that were planned to come before the Board in the coming year.

He noted that:

- It was subject to change and would address items as they arise;
- It was organized around major themes with the goal of ensuring that related items would receive appropriate oversight and that there would be sufficient time for in-depth consideration;
- To allow for focus on major themes, some items would appear on the agenda as “consent items”. Members were advised that if they had questions about consent items they are asked to call or e-mail the sponsor of the item in advance and if following this their concern had not been satisfied the member should notify the Secretary (with a minimum of twenty-four hours notice) so that the item could be dealt with on the agenda in the usual manner.

3. Report of the Previous Meeting

Report Number 198 (June 14, 2012) was approved.

4. Business Arising from the Report of the Previous Meeting

The Chair indicated that there were no matters of business arising.

REPORT NUMBER 199 OF THE BUSINESS BOARD – September 24, 2012**5. Investments: Semi-Annual Update on Investment Performance to June 30, 2012 (for information)**

The Chair invited Mr. William Moriarty, President and CEO, University of Toronto Asset Management (UTAM) to present his semi-annual update. Mr. Moriarty introduced two colleagues, Mr. Darren Smith, Managing Director, Manager Selection & Portfolio Construction, and Mr. John T. Hsu, Chief Operating Officer. Mr. Moriarty then prefaced his presentation with the caveat that talking about performance over a short period of time is difficult when managing a portfolio with a longer term focus.

His presentation¹ addressed the following matters:

- Characterized first half of 2012 as good news – bad news.
 - **Portfolio performance:** Portfolio performed reasonably well in first half of 2012. Outperformed its benchmarks.
 - **Liabilities:** Value of liabilities went up because of decline in interest rates. On a surplus basis the portfolio likely did not gain ground.
- **Four areas of focus:**
 - **Returns available in the market:** With the exception of Canadian equities, the markets had provided a decent return environment.
 - **Asset mix allowable:** Transition period from old benchmark portfolio to new reference portfolio had created difficulties in comparing performance. Examining both comparisons - generally shows out performance.
 - **Managers vs. passive portfolio:** Style tilt and manager selection had appeared to add value.
 - **Amount of risk taken to earn the return:** Introduced a new risk system and a risk limit equal to the standard deviation of the reference level plus 75 basis points. Current readings from this new risk system suggest that the University is getting better returns with less risk than that of the reference portfolio.
- Expectation that real return on equities is about 4% and that bond returns are likely to be about 2.3% (nominal return). This suggests an expected return of about 2.5% for a passive 60/40 portfolio. To do better requires sticking with an active management approach and finding best in class managers.
- Overall, it was not an easy environment and one where traditional approaches would not get the desired outcome. Focus of UTAM is on being more creative.

¹ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=9009>

REPORT NUMBER 199 OF THE BUSINESS BOARD – September 24, 2012**6. Endowments: Annual Report for the Year ended April 30, 2012**

The Chair invited Ms. Sheila Brown, Chief Financial Officer to speak to the Report. She noted that this Report was designed primarily as a report for major donors and that information about the performance of the endowment was in the annual Financial Report.

She highlighted the following:

- The value of the endowment is a little over 1.5 billion dollars representing over 5,380 individual endowment funds.
- Most of the University's endowments are in the Long-Term Capital Appreciation Pool (LTCAP).
- Endowment is in recovery mode. It had been doing well in 2007 – 2008 and then suffered significant losses in 2009. As a result, there was no endowment payout in 2009. A full payout was made in 2011 and the University added to the reinvestment pool.
- At this point it is unclear what this year's distribution will be. The objective is to have an annual payout of 4%. In order to do this requires an investment objective of 4% real return – 6% nominal.

A member asked the process by which the annual payout amount is approved and was advised by Ms. Brown that it is the responsibility of the administration to look at ongoing trends and determine the annual payout. She noted that this was done within the context of overall targets that have been established. Currently this is 4% within a corridor of 3% - 5%.

7. Health and Safety Requirements: Report of Compliance, 2012 Second Quarter

The Chair reminded members that they could be held personally liable for any failure to carry out due diligence to ensure conformity to health and safety legislation and regulations, noting therefore that this quarterly report is of particular importance. The Chair then invited Ms. Christina Sass-Kortsak, Assistant Vice-President, Human Resources, to speak to the report in the absence of Professor Angela Hildyard, Vice-President, Human Resources and Equity.

Ms. Sass-Kortsak reported that the Ministry of Labour had visited the University six times within the reporting period, two of these visits concerned contractor activities.

Among these six visits were two to the University of Toronto Mississauga campus to discuss Asbestos Management Program concerns. Maintenance workers renovating asbestos-containing materials in residence townhouses were found by the University to be in non-compliance with University policies and procedures. UTM management stopped the renovation immediately. It was determined that while the U of T Asbestos Management program includes a training module to provide guidance on safe renovation work, the current residence workers had not received this training. All staff were subsequently trained. There were no orders issued against the University as a result of the Ministry of Labour visits.

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A member raised the issue of health and safety as related to the activities of students out in the field. Ms. Sass-Kortsak replied that as the focus of this report was on the health and safety of employees this matter was not addressed in the report. She committed to ensure that the matter of off campus safety for students be addressed in the human resources and equity orientation session that would precede the next meeting of the Board.

Another member asked for clarification on what it means to receive an order from the Ministry of Labour. Ms. Sass-Kortsak indicated that it requires that the University deal with the problem and report back to the Ministry in short order. The Chair suggested that it would be helpful if the Vice-President, Human Resources and Equity could address this in the coming orientation session.

8. Borrowing – Status Report to August 31, 2012

As this was the first meeting of the year, the Chair invited Ms. Sheila Brown to speak briefly to this regular status report. Ms. Brown informed the Board that a working group had been formed to review and comment on the proposed debt strategy that was being developed by Financial Services. The revised strategy would come to the Board for approval.

9. Report Number 103 of the Audit Committee – June 13, 2012

The Chair noted that the Board, at its meeting in June, endorsed the Audit Committee's recommendations to approve the audited financial statements and to appoint external auditors.

10. Report of the Administrative Assessors

Professor Scott Mabury reported to the Board that the Leslie Dan Pharmacy Building project was completed in October 2010 and that the project closeout was on July 6, 2012.¹ There was a positive variance of approximately \$100,000.

Professor Mabury also reviewed the Report on Capital Projects as of September 30, 2012 that was distributed to members during the meeting.² A member asked about the Pan Am Aquatic Facility at the University of Toronto at Scarborough and Professor Mabury replied that the project would not appear on this list as it was a project of Infrastructure Ontario and not the University.

11. Date of Next Meeting

The Chair reminded members that the Board's next regular meeting is scheduled for Monday, November 5th, 2012 at 5:00 p.m.

¹ <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=9049>

² <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=9050>

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12. Other Business

No other business was raised.

THE BOARD MOVED INTO CLOSED SESSION

On motion duly made, seconded and carried, it was resolved

THAT pursuant to section 6.1 of the Business Board terms of reference, consideration of agenda item 13 will take place in closed session and meet in camera to consider item 14 -20, with other members of the Governing Council, the Board’s assessors, Secretariat, and any staff members invited by the assessors invited to remain in attendance.

13. Closed Session Reports

On behalf of Professor Hildyard, Professor Scott Mabury briefly provided the context for the collective agreements that were to be considered by the Board.

14. May 1, 2012 – April 30, 2015 Collective Agreement between the University and IBEW Local 353 (Electricians)

The Chair reminded members of section 27(c) of By-Law Number 2, which dealt with conflict of interest. It stated that “no member of the Council or of a committee of the Council, other than the President or a Vice-President, who is an employee or a member of whose immediate family is an employee of the University, may move or second motions or vote on matters related to the remuneration or benefits, terms of employment, rights or privileges available to employees of the University that are directly related to compensation” The provision did not prevent any member of the Board from declaring their interest and then participating in the discussion.

After an introduction by Ms. Christina Sass-Kortsak, and after discussion, and on motion duly made, seconded and carried,

YOUR BOARD APPROVED

Subject to the terms of any applicable legislation,

a) Increases in IBEW Local 353 (Electricians) Employee Pension Contributions as follows:

| | | | |
|----------------|-----------------|--------------|--------------|
| Below YMPE | 5.0% to 5.45% | to 6.05% | to 6.80% |
| Above YMPE | 6.0% to 6.6% | to 7.40% | to 8.40% |
| Effective Date | October 1, 2012 | July 1, 2013 | July 1, 2014 |

b) Effective July 1, 2012, use only the CANSIM interest rate, as currently defined under the Pension Plan (i.e. five-year fixed term deposit rate), to credit interest on required member contributions.

REPORT NUMBER 199 OF THE BUSINESS BOARD – September 24, 2012**15. New Collective Agreement (September 7, 2012, to April 30, 2015) between the University and IBEW Local 353 (Machinists)**

After an introduction by Ms. Christina Sass-Kortsak, and after discussion, and on motion duly made, seconded and carried,

YOUR BOARD APPROVED

Subject to the terms of any applicable legislation,

The Collective Agreement between the Governing Council of the University of Toronto and IBEW and its Local 353 (Machinists), for the period September 7, 2012, to April 30, 2015, including the employee pension contribution changes, and the wage/benefit changes, as per the table below.

a) Increases in IBEW Local 353 (Machinists) Employee Pension Contributions as follows:

| | | | |
|----------------|-----------------|--------------|--------------|
| Below YMPE | 5.0% to 5.45% | to 6.05% | to 6.80% |
| Above YMPE | 6.0% to 6.6% | to 7.40% | to 8.40% |
| Effective Date | October 1, 2012 | July 1, 2013 | July 1, 2014 |

b) Effective July 1, 2012, use only the CANSIM interest rate, as currently defined under the Pension Plan (i.e. five-year fixed term deposit rate), to credit interest on required member contributions.

16. New Collective Agreement (September 7, 2012 to April 30, 2015) between the University and IBEW Local 353 (Locksmiths).

After an introduction by Ms. Christina Sass-Kortsak, and after discussion, and on motion duly made, seconded and carried,

YOUR BOARD APPROVED

Subject to the terms of any applicable legislation,

The Collective Agreement between the Governing Council of the University of Toronto and IBEW and its Local 353 (Locksmiths), for the period September 7, 2012, to April 30, 2015, including the employee pension contribution changes, as compared to the previous IAMAW agreement, and the wage/benefit changes, as per the table below.

a) Increases in IBEW Local 353 (Locksmiths) Employee Pension Contributions as follows:

| | | | |
|----------------|-----------------|--------------|--------------|
| Below YMPE | 5.0% to 5.45% | to 6.05% | to 6.80% |
| Above YMPE | 6.0% to 6.6% | to 7.40% | to 8.40% |
| Effective Date | October 1, 2012 | July 1, 2013 | July 1, 2014 |

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b) Effective July 1, 2012, use only the CANSIM interest rate, as currently defined under the Pension Plan (i.e. five-year fixed term deposit rate), to credit interest on required member contributions.

17. July 1, 2011 – June 30, 2012 Collective Agreement between the University and Ontario Public Service Employees' Union (OPSEU), Local 578.

After an introduction by Ms. Christina Sass-Kortsak, and after discussion, and on motion duly made, seconded and carried,

YOUR BOARD APPROVED

Subject to the terms of any applicable legislation,

(a) Increases in OPSEU 578 Employee Pension Contributions as follows:

- Retroactive to January 1, 2012
 - Below YMPE* from 5.00% to 5.45%
 - Above YMPE from 6.00% to 6.60%

18. July 1, 2012 – June 30, 2014 Collective Agreement between the University and Ontario Public Service Employees' Union (OPSEU), Local 578

After an introduction by Ms. Christina Sass-Kortsak, and after discussion, and on motion duly made, seconded and carried,

YOUR BOARD APPROVED

Subject to the terms of any applicable legislation,

(a) Increases in OPSEU 578 Employee Pension Contributions as follows:

| | Year 1 | Year 2 |
|----------------|----------------|--------------|
| Below YMPE | 5.45% to 6.05% | to 6.80% |
| Above YMPE | 6.6% to 7.40% | to 8.40% |
| Effective Date | July 1, 2012 | July 1, 2013 |

(b) Effective July 1, 2012, use only the CANSIM interest rate, as currently defined under the Pension Plan (i.e. five-year fixed term deposit rate), to credit interest on required member contributions.

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CONSENT AGENDA

19. Human Resources

- a) September 1, 2011 –August 31, 2014 Collective Agreement between the University and the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories and Canada, Local 58
- b) July 1, 2011 – June 30, 2014 Collective Agreement between the University and the United Steelworkers, Local 1998 (Casual)

THE BOARD RETURNED TO OPEN SESSION.

The meeting adjourned at 6:41 p.m.

Secretary

Chair

October 2, 2012