

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

**REPORT NUMBER 211 OF THE BUSINESS BOARD**

**March 31, 2014**

To the Governing Council,  
University of Toronto.

Your Board reports that it met on Monday, March 31, 2014 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. W. John Switzer (Chair)	
Mr. Jeff Collins (Vice-Chair)	
Professor Scott Mabury, Vice-President, University Operations	Ms Sheila Brown, Chief Financial Officer
Professor Angela Hildyard, Vice-President, Human Resources & Equity	Ms Sally Garner, Executive Director, Planning & Budget Office
Professor John Bland	Mr. Paul Donoghue, Chief Administrative Officer, University of Toronto Mississauga
Mr. Ian Freedman	Ms Anne MacDonald
Professor Avrum Gotlieb	Ms Gail Milgrom
Mr. Arthur Heinmaa	Mr. David Palmer, Vice-President, Advancement
Mr. William Hewitt	
Ms Paulette Kennedy	Mr. Louis Charpentier, Secretary of the Governing Council
Mr. Mark Krembil	
Ms Nancy Lee	
Ms Rosanne Lopers-Sweetman	
Ms Mainawati Rambali	Ms Sheree Drummond, Secretary
Ms Catherine Riddell	
Mr. Peter Robinson	
Mr. Howard Shearer	
Mr. Andrew Szende	
Mr. Christopher Thatcher	
Mr. Keith Thomas	
Ms B. Elizabeth Vosburgh	

**Regrets:**

Mr. Andrew Girgis  
Mr. Gary D. Goldberg  
Ms Zabeen Hirji  
Dr. Gary P. Mooney  
Ms Rita Tsang

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**In Attendance:**

Ms Nythalah Baker, UTM Equity & Diversity Officer  
Ms Lisa Becker, Director, Operational Due Diligence & Chief Compliance Officer, University of Toronto Asset Management Corporation (UTAM)  
Ms Allison Burgess, Sexual & Gender Diversity Officer  
Mr. Alex Brat, Director, Labour Relations  
Ms Sandra Carnegie-Douglas, Anti-Racism & Cultural Diversity Officer  
Ms Andrea Carter, Director, High Risk and AODA  
Mr. Marc Drouin, Director, Environmental Health and Safety  
Ms Katy Francis, Director, Strategic Human Resources Communications  
Ms Hayley Fuller, Communications Coordinator  
Ms Melanie Grant, Administrative Coordinator  
Mr. Adrian Hussey, Managing Director, Portfolio and Risk Analysis, UTAM  
Ms Erin Jackson, Executive Director, Central Administration Human Resources Services & Integrated Human Resources Service Delivery  
Mr. William (Bill) Moriarty, President and CEO, UTAM  
Ms Rosie Parnass, Executive Director, Organizational & Leadership Development, & and Work Life Support  
Mr. Chuck O'Reilly, Director, Manager Selection & Portfolio Construction, UTAM  
Ms Deb Osvenny, Executive Director, Total Rewards  
Mr. Cameron Richard, Managing Director, Investment Strategy & Co-CIO, UTAM  
Ms Meredith Sandles, Senior Human Resources Policy and Project Specialist  
Professor Richard Sommer, Dean, Faculty of Landscape, Architecture & Design  
Ms Penny Somerville, Audit Committee Member  
Ms Gina Trubiani, Associate Director, Environmental Health and Safety

ITEMS 14 (b.) and 15(a.) ARE RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

The Chair welcomed members to the meeting and indicated that he had a brief update on the UTM Greenhouse project. He advised members that at the most recent meeting of the Executive Committee (Thursday, March 27, 2014), following a briefing by Professor Mabury where he advised that the total project cost had been revised downward, the Executive Committee confirmed the Campus Council's approval of the project. He reminded members that this item would not need to come back to the Business Board as the Board's approval of the execution of the project was subject to the approval of the project itself.

**MAIN THEME - HUMAN RESOURCES AND EQUITY**

**1. Annual Report of the Vice-President, Human Resources and Equity, 2012-13**

The Chair advised members that Professor Angela Hildyard's presentation would cover both items 1 and 2. Before beginning her presentation Professor Hildyard introduced the members of

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her team who were in attendance: Rosie Parnass, Executive Director, Organizational & Leadership Development, & and Work Life Support; Katy Francis, Director, Strategic Human Resources Communications; Haley Fuller, Communications Coordinator; Meredith Sandles, Senior Human Resources Policy and Project Specialist; Melanie Grant, Administrative Coordinator; UTM Equity Officer, Andrea Carter, Director, High Risk and AODA; Sandra Carnegie-Douglas, Anti-Racism & Cultural Diversity Officer; Marc Drouin, Director, Environmental Health and Safety; Gina Trubiani, Associate Director, Environmental Health and Safety; Deb Osvenny, Executive Director, Total Rewards; Erin Jackson, Executive Director, Central Administration Human Resources Services & Integrated Human Resources Service Delivery; Allison Burges, Sexual & Gender Diversity Officer; and, Alex Brat, Director, Labour Relations.

Professor Hildyard's presentation<sup>1</sup> covered the following areas: client service; communications; community outreach; equity and diversity; health, safety and well-being; labour relations; leadership development; recruitment; employment equity; and, employment equity in action.

Following the presentation a member asked about equity and salary distribution. She asked whether the University looked at the quality of jobs, equating dollars with quality, held by women and minorities. Professor Hildyard replied that the University had been involved in a very lengthy exercise with the United Steel Workers (USW) reviewing all USW positions. She said that this had led to a lot of changes not only for USW positions but also for Professional/Managerial (PM) positions. Professor Hildyard said that she was confident that there was no ghettoization of women in less remunerative and less challenging roles.

**2. Employment Equity: Annual Report, 2013**

**3. Health & Safety Requirements: Quarterly Report on Compliance**

The Chair noted that the report was for information and that no action was required. Professor Hildyard indicated that the report was self-explanatory. There were no questions.

**OTHER ITEMS**

**4. University of Toronto Asset Management (UTAM) Corporation: Annual Report and Financial Statements, 2013 (for information)**

At the invitation of the Chair, Ms Brown made some introductory remarks. She said that it had been a good year in terms of the University's investments. She reminded members that the fiscal year for endowments was May to April and for pensions it was July to June. She said that UTAM operated on a January to December basis in line with the investment industry.

Ms Brown introduced Mr. William (Bill) Moriarty, President and CEO of UTAM, who subsequently introduced his senior team: Ms Lisa Becker (Director, Operational Due Diligence & Chief Compliance Officer ); Mr. Adrian Hussey (Managing Director, Portfolio and Risk

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<sup>1</sup> <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10428>

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Analysis); Mr. Cameron Richard (Managing Director, Investment Strategy & Co-CIO); and, Mr. Chuck O'Reilly (Director, Manager Selection & Portfolio Construction).

Mr. Moriarty presented the UTAM Portfolio Performance Review. His presentation<sup>2</sup> highlighted the following matters: annual returns versus University targets; value-added versus new benchmark portfolio; the steady improvement in value-added; the portfolio asset mix; public markets returns; private investment returns; asset segment returns; portfolio risk versus reference portfolio; the challenging investment environment; the challenges ahead; implication for simple passive portfolio; and, the current investment environment. Mr. Moriarty summarized by indicating that he thought that getting extra return from active management would be more important in achieving objectives going forward.

A member asked whether foreign exchange (FX) was incorporated in the risk budget. Mr. Moriarty replied that there were a number of limits in the reference portfolio and that one of the limits was on foreign exchange. He said that they had a range within which they could deviate and that they had started the year with a 75% hedged target and had proposed to take it to a 50% hedged target (i.e., increasing FX exposure) but that the University had settled on a 65% target. In response to a question from a member as to why the endowment payout was at the same level as the previous year even though it had been a favourable investment year, Ms Brown replied that the endowment pool as a whole was fairly positive but that not all individual funds were as positive. She said that the endowment was still recovering from the 2008 financial crisis. As a result, the decision was made to continue with modest payouts in order to restore the health of the endowments as a whole.

A member asked whether there was a policy with regard to using leverage. Mr. Moriarty replied that there was no explicit policy around using leverage. There was no leverage in the reference portfolio and UTAM did not leverage the portfolio but that some investment managers did implicitly have some leverage within their strategy funds (for example, a manager that employed both long and short positions).

## **5. Debt Strategy Annual Review**

The Chair reminded members that the borrowing strategy was initially approved by Governing Council in June 2004 and that a revision of this debt strategy had been approved in November 2012. He noted that the current debt strategy had been in place for just over one year and as such that this was the first annual report.

Ms Brown began by noting that as this was the first report she was interested in feedback on the format. She said that in the future the Board would likely receive the report at the end of January. She said that the debt strategy as it was currently constructed was based on affordability. The debt policy limit was to be calculated annually using the 5% debt burden ratio (debt service cost divided by total expenditures) as a key determinant. Currently that resulted in a total debt policy limit of \$1.4 billion, of which approximately \$1.2 billion had been allocated.

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<sup>2</sup> <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10369>

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She noted that allocations did not always translate into debt, for example as pledges were satisfied those amounts would be released back from the allocations. She further noted that if the University had to pay back its actual outstanding debt today it would have 117% of the cash needed to do it. Ms Brown noted that based on where the University's finances were going and based on demands that were seen for debt, the current strategy looked reasonable.

Ms Brown gave a brief presentation<sup>3</sup> that provided an overview of the debt burden ratios for actual/planned external and internal debt and an additional ratio that added together the debt burden and special payments for pensions, viability ratios for actual/planned external plus internal debt, and the actual forecasted policy debt limit compared to actual/planned debt. She said that the affordability method had been an excellent way to determine and monitor how the University handled debt. She encouraged members to delve into the details of the report and to look at comparisons with other universities, particularly in the United States.

A member remarked that when the revised strategy was developed the debt burden ratio was the primary measure and the viability ratio, while important, was seen as secondary. He said that he thought that both had proven to be quite useful. In response to a question from a member as to whether the University knew where the debt was held, Ms Brown replied that this was not tracked in a lot of detail. She said that the University's debt was not heavily traded and that she believed that most of it was held by Canadian insurance companies. A member asked about the impact of the special pension payments and noted that the charts that had been prepared reflected the current pension contribution strategy which included pension financial status to July 1, 2011 and which assumed stage 2 pension solvency relief. He asked whether the charts would be revised after the University updated the pension contribution strategy to reflect July 1, 2014 results, along with other changes, including the outcome of the application for stage 2 solvency relief. Ms Brown replied that this would be reflected in the next annual report on debt.

Professor Mabury remarked that the current practice whereby divisions made larger down payments on capital projects had an impact on the University's debt strategy. He said that this was something that was emphasized to Deans.

**6. Ancillary Operations: Residential Housing – Operating Results for 2013-14 and Budget, 2014-15**

The Chair noted that under its Terms of Reference, the Board reviewed and approved the annual budget of unincorporated business ancillaries and that the St. George Campus Residential Housing Ancillary was one such unincorporated business ancillary.

At the invitation of the Chair, Ms Anne Macdonald, Director, Ancillary Services advised members that the Ancillary was approaching a balanced budget. She reminded members that the operation consisted of the houses in the Huron-Sussex neighbourhood and that these were used for new faculty housing, long-term faculty housing, and some long-term tenants. She noted that a

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<sup>3</sup> <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10427>

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lot of repairs had been done over the years. She said that in her view the budget was stabilizing and that the prospect for continued improvement was good.

Professor Mabury briefly reminded members that he would be bringing forward the report on the Huron-Sussex neighbourhood in a coming cycle. The Chair thanked Ms Macdonald for the great work that was being done.

**YOUR BOARD APPROVED**

THAT the operating budget for the St. George Campus Residential Housing Ancillary for 2014-15, as contained in the “2014-15 Budget” column of Schedule 1 to the “Overview of Operations and Business Plan for 2014-2019,” be approved.

**7. Reports of the Administrative Assessors**

Professor Mabury reported that a community discussion was in progress around the proposed student residence at Sussex and Spadina. He said that The Daniels Corporation had acquired the corner property. He noted that the local councillor was involved in these discussions. He expressed his hope that it would be possible to move forward with this project soon as the University was in need of additional student residences.

**OPEN SESSION CONSENT AGENDA**

On a motion duly moved, seconded, and carried

**YOUR BOARD APPROVED**

THAT the consent agenda be adopted.

**8. Report of the Previous Meeting – Report Number 210 – March 3, 2014**

**9. Business Arising from the Report of the Previous Meeting**

**10. Status Report on Debt to March 31, 2014**

**11. Report on Capital Projects as of March 31, 2014**

**12. Service Ancillaries Operating Plans**

**CLOSING ADMINISTRATIVE ITEMS**

**13. Date of Next Meeting – Thursday, June 12, 2014, 5:00 p.m.**

The Chair reminded members that the next meeting of the Board would be on Thursday, June 12, 2014 at 5:00 p.m.

**THE BOARD MOVED *IN CAMERA***

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**14. Appointment of the External Auditors**

- a. Report Number 111 of the Audit Committee – March 6, 2014**
- b. Report on the Governance Activities of the Audit Committee and Recommendation of the Appointment of the External Auditor for the year ending 2015**

On Motion duly moved, seconded and carried

YOUR BOARD RECOMMENDS TO THE GOVERNING COUNCIL

THAT the recommendations regarding the appointment of the external auditors contained in the memorandum from Ms Paulette Kennedy, Chair of the Business Board, dated March 10, 2014, be approved.

**15. The Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2)**

- a. Total Project Cost and Financing Requirement**

On motion duly moved, seconded, and carried,

YOUR BOARD RECOMMENDS

THAT the recommendation regarding the total project cost and financing requirement for the Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2) contained in the memorandum from Professor Scott Mabury, Vice President, University Operations, dated March 17, 2014, be approved.

- b. Execution of Project**

On a motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the recommendation regarding the Relocation of the John H. Daniels Faculty of Architecture, Landscape and Design to One Spadina Crescent (Phase 2) contained in the memorandum from Professor Scott Mabury, Vice-President, University Operations, dated March 17, 2014, be approved.

**16. *In Camera* Reports of the Administrative Assessors (oral reports)**

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**17. Business Board Striking Committee 2014 – Membership**

On a motion duly made, seconded and carried,

IT WAS RESOLVED

THAT the following be appointed to the Business Board Striking Committee to recommend appointments for 2014-15:

- Mr. John Switzer (Chair)
- Mr. Jeff Collins (Lieutenant-Governor-in-Council appointee; Vice-Chair)
- Ms Rosanne Lopers-Sweetman (administrative staff) <sup>4</sup>
- Mr. Andrew Girgis (student)
- Professor Avrum Gotlieb (teaching staff)
- Mr. Keith Thomas (alumni)

The Board returned to open session.

The meeting adjourned at 7:04 p.m.

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Secretary

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Chair

April 3, 2014

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<sup>4</sup> Secretary's Note: In an electronic ballot conducted between April 3, 2014 and April 4, 2014 Ms Catherine Riddell (governor) was elected to replace Ms Rosanne Lopers-Sweetman (co-opted member) as the administrative staff representative on the Striking Committee.