

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 37 OF THE PENSION COMMITTEE

May 22, 2019

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Wednesday, May 22, 2019 at 4:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Janet L. Ecker, Chair
Alex D. McKinnon, Vice-Chair
Preet Banerjee
David Bowden
Louis Florence
Gary Goldberg
Brian D. Lawson
Cynthia Messenger
John Paul Morgan*
Arthur G. Rubinoff
Maureen Stapleton
Andrew Szende
Paul Whittam
Bruce Winter

** via conference call*

Assessors:

Sheila Brown, Chief Financial Officer
Kelly Hannah-Moffat, Vice-President, Human
Resources and Equity
Scott Mabury, Vice-President, Operations
and Real Estate Partnerships

Secretariat:

Patrick F. McNeill, Committee Secretary

Regrets:

Colleen Burke
Catherine Bragg
Kenneth MacDonald
Kim McLean

In Attendance:

Doug Chau, Chief Risk Officer, University of Toronto Asset Management Corporation (UTAM)
Professor Angela Hildyard, Special Advisor to the President
Pierre Piché, Controller and Director of Financial Services
Allan Shapira, Plan Actuary, Aon
Daren Smith, President and Chief Investment Officer, UTAM

The Committee met in closed session

1. Chair's Remarks

The Chair welcomed members and guests to the meeting.

2. Pension Fund Master Trust Statement of Investment Policies and Procedures (SIPP) – May 22, 2019

The Chair reminded members that the Pension Committee had approved the current SIPP at its meeting of May 30, 2018. The SIPP must be reviewed and confirmed annually in accordance with pension regulation. The Committee had reviewed the working draft *Pension Fund Master Trust Statement of Investment Policies and Procedures* at its last meeting.

Sheila Brown and Allan Shapira restated that this year's review included the annual review of the Reference Portfolio; a legal review by Aon of the SIPP with respect to new or updated pension regulation; changes to capture information required to be included in the SIPP under the new pension funding regulations to enable calculation of the Provision for Adverse Deviation (PfAD); and wording to improve clarity of the SIPP.

Ms Brown restated that the proposed updated SIPP contained no substantive changes to the return objective, risk tolerance and asset allocation; just information and disclosure changes with respect to provincial reporting requirements and regulations.

In response to comments by members at the previous meeting, a footnote was added to explain the new funding regime for Ontario-registered defined benefit pension plans (Ontario Regulation 250/18), which included a PfAD that depends in part on the target asset mix and classification of investments as fixed income or non-fixed income, and that the fixed income percentages in the new table contained in the SIPP had been determined based on criteria established in the new Regulations.

Mr. Doug Chau, Chief Risk Officer, UTAM presented some background and answered questions regarding the asset/liability study performed by UTAM. Regarding expected funded status in 10 years, the median outcome (i.e., 50th percentile) with the current Reference Portfolio (60% Equities/40% Bonds) was that the Pension plan was 99% funded in 10 years. He explained that

portfolios with higher equity allocations had a lower probability of needing additional payments at the end of 10 years, however, these portfolios took more risk.

In response to Members' questions and comments regarding the desire to have additional information on risk modelling and related stress tests of the reference portfolio, the Chair suggested that members continue a dialogue with the assessors.

Ms Brown noted that the Investment Committee had not yet completed its review of the Reference Portfolio and it was possible that additional changes to the SIPP might be presented to the Committee for approval in the Fall.

The Chair thanked Ms Brown, Mr. Shapira, Mr. Smith and Mr. Chau.

On motion duly moved, seconded and carried

IT WAS RESOLVED

THAT the Pension Committee approve the *Pension Fund Master Trust Statement of Investment Policies and Procedures* dated May 22, 2019, attached as Appendix A, replacing the *Statement of Investment Policies and Procedures*, attached as Appendix C, which had been approved by the Pension Committee on May 30, 2018.

3. Report of the Previous Meeting: Report Number 36, April 15, 2019

On motion duly moved, seconded and carried

IT WAS RESOLVED THAT

THE Pension Committee Report Number 36, from the meeting of April 15, 2019, be approved.

4. Business Arising from the Report

There was no business arising from the report of the previous meeting.

5. Date of Next Meeting: Wednesday, September 18, 2019 at 4:00 p.m.

The next meeting of the Pension Committee was scheduled for Wednesday, September 18, 2019 at 4:00 p.m.

The Committee moved *In Camera*

6. Reports of the Administrative Assessors

Jointly Sponsored Pension Plan (JSPP) Initiative

Professor Angela Hildyard presented an update on the JSPP initiative.

The Committee returned to Closed Session.

7. Other Business

The Chair recognized Mr. Paul Whittam for his service to the Committee as a unionized staff representative.

There were no items of other Business.

The meeting adjourned at 5:10 p.m.

Secretary

Chair

Committee

May 24, 2019