

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

**REPORT NUMBER 28 OF THE PENSION COMMITTEE**

**March 21, 2017**

To the Governing Council,  
University of Toronto.

Your Committee reports that it held a meeting on Tuesday, March 21, 2017 at 5:30 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Mr. Alex D. McKinnon, In the Chair  
Mr. Harvey Botting  
Ms Colleen Burke  
Professor Ettore Vincenzo Damiano\*  
Ms Janet L. Ecker\*  
Professor Jennifer Jenkins  
Ms Claire M.C. Kennedy\*  
Ms Leanne MacMillan  
Ms Kim McLean  
Mr. John Paul Morgan\*  
Professor Emeritus Arthur G. Rubinoff  
Mr. Bruce Winter  
Mr. John Switzer

*\* Joined the meeting via conference call*

**Non-Voting Assessors:**

Professor Kelly Hannah-Moffat, Vice-President,  
Human Resources and Equity  
Professor Scott Mabury, Vice-President,  
University Operations  
Ms Sheila Brown, Chief Financial Officer

**Secretariat:**

Mr. Patrick McNeill, Committee Secretary

**Regrets:**

Mr. Mark Krembil  
Mr. David Bowden  
Professor Paul Downes  
Mr. Brian K. Johnston  
Mr. Brian D. Lawson  
Dr. Andreas Motsch  
Mr. Andrew Szende

**In Attendance:**

Mr. Allan Shapira, Plan Actuary, Aon Hewitt  
Mr. Daren Smith, President and Chief Investment Officer, University of Toronto Asset Management Corporation (UTAM)

The Chair welcomed members and guests. He thanked members for being able to accommodate the rescheduled date and time of the meeting.

**1. Presentation: *Reference Portfolio***

The Chair stated that from time to time the Committee would receive additional educational opportunities in pension and investment matters. Mr. Smith presented a reference portfolio primer which included information on defining a reference portfolio,

its characteristics, creation and development; as well as information on allocation bands, deviation flexibility and constraints. In summary, Mr. Smith stated that the reference portfolio reflected the risk and return objectives of the Pension Plan and was an important tool to measure the effectiveness and value of UTAM. He added that the reference portfolio and associated constraints limit the ability of UTAM to invest the actual portfolio in a manner that was significantly different than the reference portfolio.

## **2. Review of Investment Performance to December 31, 2016**

Ms Brown reminded members that the investment performance report had reflected a partial year return for the period July 1, 2016 to December 31, 2016. The full year results for the Pension Master Trust (PMT) for the July 1, 2016 to June 30, 2017 period would be presented after the end of the current year at June 30, 2017.

Mr. Smith presented a report on the *Review of Investment Performance to December 31, 2016*. Mr. Smith stated that the University evaluated investment performance for the PMT against the investment return targets, the risk limits, and the Reference Portfolio returns, as specified in the *Statement of Investment Policies and Procedures (SIPP)*.

Highlights of Mr. Smith's report regarding the above-noted 6-month reporting period for the PMT included the following:

- the target investment return for the PMT was 2.54%.
- the actual return for the PMT was 6.81%
- the return for the Reference Portfolio was 5.19%

Mr. Smith stated that overall, investment performance was favourable for the reporting period. He further noted that actual portfolio performance had exceeded Reference Portfolio performance by 2.5% over the last 4 years and by 0.3% over the last 10 years, which equated to approximately \$332 million of value added over the last 4 years and \$211 million of value added over the last 10 years. Mr. Smith also stated that active risk had remained well within the active risk "green zone", as of December 31, 2016.

In response to members' questions and comments, Mr. Smith explained that all of the return percentages were net of investment fees and expenses. Ms Brown confirmed that the investment time horizons for the pension and endowment portfolios were the same, which has resulted in the same investment strategy being pursued for both over many years.

## **3. Report of the Previous Meeting: Report Number 27, December 14, 2016**

The report of the previous meeting was approved.

## **4. Business Arising from the Report of the Previous Meeting**

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

## **5. Date of Next Meeting: Thursday, May 25, 2017**

**6. Other Business**

There were no items of other Business.

*Pursuant to section 33 of By-Law Number 2,  
consideration of items 7 and 8 took place in camera*

**The Committee Moved *In Camera***

**7. Reports of the Administrative Assessors**

Ms. Brown and Mr. Shapira provided an oral update on continued discussions of the multi-employer Jointly Sponsored Pension Plan (JSPP) discussions.

**8. Responsible Investing Report (UTAM)**

Mr. Smith presented the draft UTAM *Responsible Investing Report* (2016) for Committee feedback.

**The Committee returned to closed session**

The meeting adjourned at 7:05 p.m.

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Committee Secretary

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Chair

March 23, 2017