

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL

REPORT NUMBER 246 OF THE BUSINESS BOARD
Tuesday, April 23, 2019

To the Governing Council,
University of Toronto.

Your Board reports that it met on Tuesday, April 23, 2019 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Keith Thomas (Chair)
Brian Lawson (Vice-Chair)*
Scott Mabury, Vice-President, Operations
and Real Estate Partnerships (VPOREP)
Kelly Hannah-Moffat, Vice-President, Human
Resources and Equity (VPHRE)
Sheila Brown, Chief Financial Officer
Preet Banerjee
Robert G. Boeckner
Harvey T. Botting
David Bowden
P.C. Choo
Gary D. Goldberg
Ian Peter Hutson
Mala Kashyap*
Jan Mahrt-Smith
John Paul Morgan
Chris Thatcher*
Bruce Winter

**participated via conference call*

Non-Voting Assessors:

David Palmer, Vice-President, Advancement
Trevor Rodgers, Assistant Vice-President,
Planning and Budget
Gilbert Delgado, Chief, Planning, Design
and Construction
Saher Fazilat, Chief Administrative Officer,
UTM
Anne Macdonald, Assistant Vice-President,
Ancillary Services
Ron Saporta, Chief Operations Officer,
Property Services & Sustainability

Secretariat:

Patrick F. McNeill, Secretary

Regrets:

Andrew Binkley
Sara Gelgor
Avrum Gotlieb
Sue Graham-Nutter
Mark Krembil
Price Amobi Maka
Brian A. Miron

In Attendance:

Vivek Goel, Vice-President, Research and Innovation (VPRI)

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In Attendance continued:

Zohair Ahmed, Director, Operations, University of Toronto Asset Management Corporation (UTAM)
Tad Brown, Counsel, Business Affairs and Advancement
Doug Chau, Chief Risk Officer, Head of Research, UTAM
Elizabeth Church, Director, Stakeholders Relations, University of Toronto Communications
Elizabeth Cragg, Director, Vice-President, Operations and Real Estate Partnerships
Gloria Cuneo, Director, Faculty, Residential & Student Family Housing
Barbara Dick, Assistant Vice-President, Alumni Relations
Rosalyn Figov, Chief Operations Officer, Office of the Vice-President Human Resources and Equity
Leon Lu, Portfolio Manager, Investments, UTAM
Mila Miller, Executive Director, Strategic Planning and Advancement Organizational Development
Gillian Morrison, Assistant Vice President, University Development
James Robertson, Chief Operating Officer, Advancement Services
Daren Smith, President and Chief Investment Officer, UTAM

IN CAMERA ITEM 16(a) IS RECOMMENDED TO THE GOVERNING COUNCIL FOR APPROVAL. ITEMS 4, 7 AND *IN CAMERA* ITEM 16(b) WERE APPROVED. ALL OTHER ITEMS ARE REPORTED TO THE GOVERNING COUNCIL FOR INFORMATION.

*Pursuant to section 33(i) of By-Law Number 2,
items 13 to 16 were considered in camera.*

OPEN SESSION

1. Chair's Remarks

The Chair welcomed members and guests to the meeting.

With the approval of the Board, Item 12(a) *Report of the Panel to Review the Asbestos Management Program at the University of Toronto and the Administrative Response to the Report*, was added to the agenda under Other Business.

2. Annual Report: Vice-President Advancement

Mr. David Palmer, Vice-President, Advancement (VPA), introduced members of his senior Advancement team that were in attendance and thanked them, as well as the operational and front-line advancement staff in the DUA and divisions, for their extraordinary efforts in achieving success. He also thanked the many academic leaders across the University whose ideas animated the Boundless campaign and inspired such an incredible range of generosity. He then proceeded to present the *University Advancement Annual Report and Boundless Campaign Close Report*.

Mr. Palmer reminded Board members that in 2011, the University publicly launched the most ambitious fundraising campaign in Canadian history, with a goal of securing \$2 billion built on the twin pillars of meeting global challenges and preparing global leaders. In 2016, with enthusiastic donor support, U of T announced it had surpassed its original campaign goal, and that it would boldly expand the goal to \$2.4 billion.

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The Vice-President, Advancement, stated that he was pleased to report formally that as of December 31, 2018, *Boundless: the Campaign for the University of Toronto (Boundless)* had raised \$2,641,331,307, surpassing its expanded goal and setting a new record for philanthropy in Canada.

Mr. Palmer highlighted the following achievements of *Boundless*, as part of his presentation:

- inspired support from 104,059 unique donors from around the world at all levels (73 per cent of donors gave less than \$1,000, underlining how every gift counts);
- inspired many young alumni to become donors (more than 16,000 donors under the age of 40 supported the campaign);
- close to 7,000 current and former U of T faculty and staff gave to the *Boundless* campaign, a reflection of our community's commitment to the University's aspirations;
- raised over \$406 million to support student awards and programs, funding nearly 4,000 scholarships and 220 student focused initiatives such as experiential learning, international internships and research programs, and opening the door to greater opportunity for students in their academic and professional careers;
- there was a 36 per cent increase in the number of undergraduate scholarships and bursaries awarded annually since the start of the campaign;
- helped support more than 600 groundbreaking research centres, initiatives and programs;
- supported or established 82 chairs and professorships, attracting and retaining the very best talent for key academic initiatives across our three campuses;
- raised \$856 million for leading-edge research and programs with lasting impact, generating multiples of funding from additional grants on initial program investments, and strengthening a vital entrepreneurial pipeline from scientific discovery to translation to commercialization; and
- raised \$600 million to support 41 critical infrastructure initiatives and many other important renewal and equipment projects that enhanced U of T's excellence in teaching and research, expanded facilities to allow for future growth, and restored and recreated Toronto's dynamic skyline.

Mr. Palmer stated that the visionary generosity of the University's supporters had provided enhanced and accessible learning environments for students and fostered a collaborative working environment for researchers, establishing a permanent future legacy and strengthening U of T's partnership with one of the world's greatest cities.

In closing, Mr. Palmer expressed special thanks to members of Governing Council and the Business Board; as well as to Principals and Deans across the three campuses, the University's Campaign Executive and broader Cabinet in support of the Campaign's highest priorities, and to all advancement staff – all had played a crucial role in developing strategies to engage the University's diverse base of alumni, donors and friends in the *Boundless* Campaign.

In response to members' comments and questions, Mr. Palmer stated the following:

- Advancement would continue to analyse its data further to identify potential donors as part of a new campaign, both within Canada and at the international level (China, Hong Kong, USA and UK);

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- the *Alumni Engagement Survey* revealed an enormously productive, innovation, and creative footprint of activity by alumni in communities around the world;
- Alumni and friends participated in U of T events across the Greater Toronto Area (GTA), and regionally and internationally throughout the campaign;
- more than 8,800 alumni and friends now served as volunteers at the University, an eightfold increase; and among them
- more than 2,600 people served as mentors at the University of Toronto, a remarkable trove of expert advice and guidance for students.

Ms Barbara Dick, Assistant Vice-President, Alumni Relations, noted that the sophistication and high calibre of the University's alumni population came across very clearly in the *Alumni Impact Study* findings. As a result, U of T could create substantive engagement opportunities for alumni that were closely aligned with advancing the University's mission, both centrally and divisionally.

Professor Vivek Goel, Vice-President, Research and Innovation (VPRI), commented that traditionally, alumni engagement activities in Ontario had been focused mainly in the Greater Toronto Area, but the survey revealed a high presence of alumni (i.e. health care professionals), outside the GTA and throughout Ontario, which could have a positive impact on U of T's messaging to government and other partners.

On behalf of the Board and alumni, the Chair thanked Mr. Palmer and his team on the extraordinary success of the *Boundless* Campaign.

3. University of Toronto Asset Management Corporation (UTAM): Annual Report and Financial Statements, 2018

The Chair stated that under the Business Board's *Terms of Reference* it was responsible for approval of the investment risk and return targets for University funds, but not for Pension funds, which were approved by the Pension Committee together with the asset allocation and other elements required to be included in the *Pension Statement of Investment Policies and Procedures*. Asset allocation and other elements of investment strategy for University funds were delegated to the President.

The Business Board was responsible for reviewing annual reports for both University and Pension funds, which included information on asset allocation, an example of which was the *UTAM Annual Report*.

Mr. Smith introduced members of his team and presented the *UTAM Annual Report and Financial Statements, 2018*. He noted that the *Report* was updated from the previous year's Report. It highlighted the building blocks that UTAM employed in their management of the University's assets; and included an in-depth review of the processes used by UTAM, including its focus on responsible investing.

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Mr. Smith's presentation highlighted the following: actual returns versus University target returns over three time periods (1 year, 5 years and 10 years); Reference Portfolio returns versus University target returns; actual returns versus Reference Portfolio returns (UTAM value added); the current asset allocation and limits; and actual risk versus reference portfolio risk (volatility).

Mr. Smith reported that the Pension Fund Master Trust (PMT) and Long-Term Capital Appreciation Pool (LTCAP); investments managed by UTAM on behalf of the University realized lower returns in 2018 than in 2017 due to a challenging investment environment. The Expendable Funds Investment Pool (EFIP) earned a slightly higher return in 2018 than in 2017.

Mr. Smith further provided a summary of the investment performance noting the following:

- for the year ending December 31, 2018, the target nominal investment return (including CPI) net of fees and expenses was 6.0% (2017 – 5.8%);
- the actual nominal investment return for the year was minus 1.6% (2017 – 12.4%) for PMT and minus 1.5% (2017 – 12.4%) for the LTCAP;
- the actual nominal investment return for the Reference Portfolio was minus 2.3% (2017 – 11.4%);
- the actual PMT return earned by UTAM exceeded the Reference Portfolio return by 0.7% (-1.6% minus -2.3%), but had fallen short of the target return by 7.5% (-1.6% minus 6.0%).
- for LTCAP, the actual return earned by UTAM exceeded the Reference Portfolio return by 0.8% (-1.5% minus -2.3%), but had fallen short of the target return by 7.5% (-1.5% minus 6.0%);
- for 2018, the target return for the EFIP was 2.3% while the actual return was 2.1%; and
- for 2018, UTAM's active management approach added value in the amount of \$58.8 million for the PMT and LTCAP portfolios combined – for the ten-year period ending December 31, 2018, it was \$668.5 million in value added.

Mr. Smith commented on UTAM's responsible investing activities and highlighted the following:

- UTAM had continued to make enhancements to its investment processes to more fully take into account ESG (environmental, social and governance) factors and responsible investing generally;
- as part of the *Montréal Carbon Pledge*, UTAM had disclosed the carbon footprint of the Pension and LTCAP public equity investment portfolios (results were posted on UTAM's website);
- UTAM had taken a more active role, and in some cases a leadership role, in a number of the responsible investing organisations that it had joined (e.g. UTAM's CRO, Doug Chau was on the Asset Owner Advisory Committee of the Principles for Responsible Investment (PRI); and UTAM's COO, Lisa Becker was on the board of the Responsible Investment Association (RIA));
- UTAM had recently completed its third annual *Responsible Investing* report, which would shortly be available on its website. This report provided an in-depth look at how UTAM considers environmental, social and governance (ESG) factors in its investment analysis and decision-making processes; and
- UTAM was working on a revamped website that would be launched shortly.

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Mr. Smith encouraged members of the Board to periodically visit UTAM's website as updates were added to the website throughout the year, in particular with respect to responsible investing activities.

In response to members' questions and comments, Mr. Smith stated the following:

- by combining risk and return metrics it was possible to calculate risk-adjusted performance measures. One of the most common risk-adjusted performance measures was the Information Ratio, which looked at how much value was added divided by a metric based on how closely actual performance tracked benchmark performance (i.e., the tracking error);
- unfortunately, there was not a lot of data to work with because UTAM's current risk framework had only been in existence since around 2013. However, over the last 5 years the Information Ratio for LTCAP and Pension portfolios had been close to 1, which was considered very good;
- the credit portfolio outperformed its benchmark in 2018 in part because some of the investments were not in public markets and this allowed the portfolios to earn an illiquidity premium. For example, some of the portfolio was invested with investment managers who make loans directly to companies, which allowed them to earn higher returns than what was available in the public credit markets;
- although the risk limit for PMT and LTCAP was based on volatility, UTAM also measured and monitored risks using many different approaches such as scenario analysis and stress testing. UTAM also considered other risks such as liquidity and counterparty risks in its management of the portfolios; and
- the Reference Portfolio included Chinese companies as part of its Global and Emerging Markets regional equity allocations.

Mr. Smith stated that one of his primary objectives after being appointed President and Chief Investment Officer of UTAM was to provide more transparency on the organization (e.g. *who we are, what we do, and how we do it*) and improve communications generally. The content in the 2018 *Annual Report* and the revamped website were part of this effort.

Ms Brown confirmed that the investment strategy for the pension and endowment portfolios were the same. She noted that some might argue that the endowment portfolio could assume more risk than the pension portfolio but the University preferred not to do so and felt this was a prudent approach.

A member noted that they found it helpful that UTAM showed its value added in dollar terms as well as in percentage terms.

A member commended Mr. Smith and his team for presenting another concise and clear annual report.

The report was received by the Board for information.

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4. Ancillary Operations: Residential Housing – Operating Plan and Budget, 2019-20

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.

Professor Mabury stated that it was important for the success of the recently adopted *Four Corners Strategy* to look at other ancillary operations, and that one objective of the University's real estate strategy was to grow the portfolio of good quality, attainable housing to help attract and retain outstanding faculty, librarians and senior staff.

Ms Macdonald reported that a housing survey was undertaken in the fall of 2018 to assess and quantify the demand for University-affiliated housing of various types, and for both rental and ownership. She added that the study primarily focused on the St. George campus but feedback was gathered from UTSC and UTM that would help inform demand and potential for projects on those campuses. The university was currently reviewing the final reports and future discussion would occur in the coming months as plans for development were shaped.

In response to a member's suggestion, Ms Macdonald agreed to review the reporting format of the residential housing budget.

Ms Macdonald also presented the annual budget. There were no questions from members.

On motion duly moved, seconded and carried

IT WAS RESOLVED

THAT the operating budget for the Residential Housing Ancillary for 2019-20, as contained in the '2019-20 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2019-24*, be approved.

5. Report on Capital Projects as of March 31, 2019

Professor Mabury commented on the new format to be used for the Report on Capital Projects to the Board – more information on building activity would be presented on an ongoing basis.

Mr. Gilbert Delgado, Chief, Planning, Design and Construction, noted that the report now included a status update on highlighted projects with cash flow analogues indicating cash flow and cumulative cost data.

The report was received by the Board for information.

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6. Reports of the Administrative Assessors

Greenhouse Gas Reduction Program (GGRP)

Professor Mabury reported that the GGRP capital project was delivered on time on March 30, 2019, at a cost of approximately \$54 million of which \$34 million had been provided by the Province as part of the retrofit program. The VPOREP said he was confident that the undertaking of the energy reduction projects would generate significant energy savings across all three campuses. The Province would be undertaking an audit on the actual reductions to be reported – the University's objective was to reduce greenhouse-gas-emissions according to the Paris Agreement.

Moody's Investors Service Credit Opinion

Ms Brown reported that Moody's Investors Service had recently confirmed the rating of the University at *Aa2, Positive*, which remained unchanged from the previous year. A copy of the report would be distributed to members at the next Board meeting.

OPEN SESSION CONSENT AGENDA

On a motion duly moved, seconded, and carried

YOUR BOARD APPROVED

THAT the consent agenda be adopted and items approved.

7. Report of the Previous Meeting

Business Report Number 245 (March 18, 2019) was approved.

8. Business Arising from the Report of the Previous Meeting

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

9. Report 131 of the Audit Committee (March 5, 2019)

Report 131 of the Audit Committee (March 5, 2019) was received for information.

10. Status Report on Debt to March 31, 2019

Members received the status report on debt to March 31, 2019, for information.

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The Chair reminded members that the date of the next meeting was Tuesday, June 18, 2019 at 5:00 p.m.

12. Other Business***(a) Report of the Panel to Review the Asbestos Management Program at the University of Toronto and the Administrative Response to the Report***

Professor Mabury reminded members that in February 2018, in response to an incident at the Medical Sciences Building (MSB), the University had asked three experts with extensive academic knowledge and industrial expertise in public health, occupational epidemiology and occupational hygiene to review the way the University handled materials containing asbestos. The panel's mandate was to examine and evaluate U of T's Asbestos Management Program on all three campuses and other owned properties, to make recommendations on best practices and to ensure the program complied with regulations.

The VPOREP stated that the University had received the *Report of the Panel to Review the Asbestos Management Program* (dated February 22, 2019) and prepared an administrative response (dated March 26, 2019) to the *Report* and its recommendations. The comprehensive *Report* also provided excellent background on asbestos and its effects.

As part of the consultation process, Professor Mabury said that the panel had met with staff members involved in the Asbestos Management Program, Health and Safety, other staff as appropriate, and with representatives of both student and employee groups. The panel had also received extensive written comments. An extension of time was granted to the panel to conduct a thorough review of the large volume of material that it had received.

Professor Mabury reported that the panel concluded that the University's Asbestos Management Program met, and in several respects exceeded legal requirements and had served the University well. The panel found U of T's Environmental Health and Safety staff were highly trained, qualified and competent. In response to the *Report's* recommendations to clarify and further improve certain aspects of the program (i.e. oversight of external parties, education and communications), the University would work to clarify roles and responsibilities.

As part of the administrative response to one recommendation regarding the organizational structure of the Asbestos Management Program, the oversight and management would continue to reside in all three Vice-President portfolios (VP Operations and Real Estate Partnerships (VPOREP); VP Human Resources and Equity (VPHRE); and VP Research and Innovation (VPRI)) – as this was considered best practice. The University would continue to consult with various stakeholder groups; and that it was committed to providing a safe environment for students, faculty and staff to study and work, and to increase awareness of health and safety issues related to asbestos management.

The Board Moved *In Camera*

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13. *In Camera* Reports of the Administrative Assessors

Professor Hannah-Moffat, Vice-President, Human Resources and Equity, reported on a labour relations matter.

14. **Collective Agreement: University of Toronto and The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, and its Local 46, June 1, 2018 – May 31, 2021**

The Collective Agreement was received by the Board for information.

15. **Employee Pension Contribution and Compensation Increases:**

(a) International Brotherhood of Electrical Workers, Local 353 - Electricians Unit

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated April 12, 2019, regarding Employee Pension Contribution and Compensation Increases for International Brotherhood of Electrical Workers, Local 353 - Electricians Unit.

(b) International Brotherhood of Electrical Workers, Local 353 – Locksmiths Unit

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated April 12, 2019, regarding Employee Pension Contribution and Compensation Increases for International Brotherhood of Electrical Workers, Local 353 – Locksmiths Unit.

(c) International Brotherhood of Electrical Workers, Local 353 – Machinists Unit

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Hannah-Moffat, Vice-President, Human Resources and Equity, as outlined in the memorandum dated April 12, 2019, regarding Employee Pension Contribution and Compensation Increases for International Brotherhood of Electrical Workers, Local 353 – Machinists Unit.

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16. Capital Project: Student Commons located at 230 College Street (*Revised Total Project Cost Increase and Sources of Funding*)

(a) Financing

On a motion duly moved, seconded and carried

YOUR BOARD RECOMMENDED

THAT the recommendation of Professor Scott Mabury, Vice-President, Operations and Real Estate Partnerships, as outlined in the memorandum dated April 11, 2019, regarding the revised financing of the Student Commons located at 230 College Street capital project, be approved.

(b) Execution of the Project

On a motion duly moved, seconded and carried

YOUR BOARD APPROVED

The recommendation of Professor Scott Mabury, Vice-President, Operations and Real Estate Partnerships, as outlined in the memorandum dated April 11, 2019, regarding the execution of the Student Commons located at 230 College Street capital project.

The Board returned to Open Session.

The Chair thanked members for their attendance and participation in the Board meeting.

The meeting adjourned at 7:14 p.m.

Secretary

Chair

April 25, 2019