

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 14 OF THE PENSION COMMITTEE

December 11th, 2013

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Wednesday, December 11th, 2013 at 5:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Professor George Luste, In the Chair
Ms Claire Kennedy, Vice-Chair
Professor Meric S. Gertler, President-
Designate of the University
Mr. Harvey Botting
Professor Ettore Vincenzo Damiano
Ms Paulette Kennedy
Mr. Alex D. McKinnon
Mr. Philip Murton
Ms Helen S. Rosenthal
Mr. John Switzer
Mr. Howard Shearer
Mr. Andrew Szende
Mr. Keith Thomas
Ms Rita Tsang

Non-Voting Assessors:

Ms Sheila Brown, Chief Financial Officer
Professor Angela Hildyard, Vice-President,
Human Resources and Equity
Professor Scott Mabury, Vice-President,
University Operations

Mr. Louis R. Charpentier,
Secretary of the Governing Council

Secretariat:

Mr. David Walders, Acting Secretary

Regrets:

Professor Laurence D. Booth
Mr. Jeff Collins
Ms Jennifer Jenkins
Ms Leanne MacMillan
Ms Jane Pepino

In Attendance:

Mr. William Moriarty, President and CEO, University of Toronto Asset Management Corporation (UTAM)
Mr. Pierre Piché, Controller & Director Financial Services, University of Toronto
Mr. Allan Shapira, Plan Actuary, AON Hewitt
Mr. Francis Lowe, Associate Partner, Ernst & Young
Ms Rebecca Wong, Senior Manager Assurance Services, Ernst & Young

The Chair welcomed all members to the meeting, and gave a special welcome to President Gertler. He then invited Ms Brown to provide introductory remarks to the first two agenda items.

Ms Brown introduced Mr. Frances Lowe and Ms Rebecca Wong from Ernst & Young who had been involved in the preparation of the Audited Financial Report. She then offered a presentation that provided background, context and explanation for the first two agenda items.¹ It highlighted the following:

- The purpose of the three annual reports for approval, the Audited Financial Report, Actuarial Report and Annual Financial Report, was explained as was the Governance path for those reports.
- Going concern and solvency valuations for the University of Toronto Pension Plan (RPP), the University of Toronto OISE Pension Plan (OISE) and the Supplemental Retirement Agreement (SRA) were outlined.
- The University has put into place member contribution increases to meet the conditions required for acceptance to stage 2 of the Ontario Government's temporary solvency relief program, and will apply for acceptance to stage 2 of the program based on the actuarial valuation at July 1, 2014.
- The Ontario Government's has released its proposals for changes to the temporary solvency relief program, to permit further deferral of net solvency relief payments, in the University's case to July 1, 2018. It was noted that the proposal did not provide for the use of letters of credit; however, under the revised proposal, the University would not require the letter of credit facility until July 1, 2018.
- Finally, it was noted that mortality assumptions used in the actuarial reports were based on standard mortality tables that fall within the standards issued by the Canadian Institute of Actuaries. Such tables essentially reflect American mortality experience. A recent Canadian study has found that Canadians, on average, live longer than Americans. While we are awaiting further guidance on this matter from the Canadian Institute of Actuaries, it is likely that a change will be required to the pension plans' mortality assumption which will increase pension liabilities, and thus the deficit.

A member enquired as to the possible consequences for the University if the Government did not permit employer contributions through letters of credit. Ms Brown replied that this may result in higher payments by the University during the period in which net solvency payments would be required.

¹ To view presentation, please see: <http://www.governingcouncil.utoronto.ca/AssetFactory.aspx?did=10288>

1. Pension Plans Annual Financial Report – Audited Financial Statements for the Year Ended June 30, 2013

On motion duly made, seconded and carried

It Was Resolved,

- a) THAT, subject to the recommendation of the audit committee, the audited financial statements for the University of Toronto Pension Plan for the year ended June 30, 2013, a copy of which is included in Appendix “4a” of the attached document entitled *University of Toronto Pension Plans Annual Financial Report For the Year Ended June 30, 2013*, be approved;
- b) THAT, subject to the recommendation of the audit committee, the audited financial statements for the University of Toronto (OISE) Pension Plan for the year ended June 30, 2013, a copy of which is included in Appendix “4b” of the attached document entitled *University of Toronto Pension Plans Annual Financial Report For the Year Ended June 30, 2013*, be approved; and
- c) THAT the University of Toronto Pension Plans Annual Financial Report For the Year Ended June 30, 2013, be approved.

2. Pension Actuarial Reports, July 1, 2013

On motion duly made, seconded and carried

It Was Resolved,

THAT the actuarial report for the University of Toronto Pension Plan as at July 1, 2013, attached as hereto Appendix A, the actuarial report for the University of Toronto (OISE) Pension Plan as at July 1, 2013, attached hereto as Appendix B, and the actuarial report for the Supplemental Retirement Arrangement as at July 1, 2013, attached hereto as Appendix C, be approved.

3. Pension Plan Fees and Expenses for the period 1989 to 201

Ms Brown noted that the main conclusion from the analysis was that in early years of the Pension Plan there were very few pension related expenses that were charged to the Plan. Over time, an increasing amount of pension-related expenses had been charged to the Plan.

Members enquired as to manager’s fees and hedge fund fees outlined in the analysis. Ms Brown replied that, mindful of the desirability to retain managers with a high level of expertise, manager’s fees were kept as low as possible and were currently 0.72% of assets. Regarding hedge fund fees, Mr. Moriarty noted that UTAM had only very recently begun tracking performance fees, including hedge fund fees, and that more information on this would be available in the future. He also noted that UTAM had implemented a 0%

management fee in some cases and that the success of these arrangements would be tracked.

CONSENT AGENDA

On motion duly moved, seconded, and carried

It was Resolved,

THAT the consent agenda be adopted and items approved.

4. Report of the Previous Meeting: Report Number 12, September 24, 2013

The report of the previous meeting was approved.

5. Business Arising from the Report

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

6. Report of the Senior Assessors

Ms Brown noted that the Pooled Asset Management Implementation Working Group, of which UTAM was a member, continued to meet. Further updates would be provided as they became available.

7. Date of Next Meeting: March 19, 2014 at 5:00 p.m.

8. Other Business

A member reported that, on the advice of the Chair of the Governing Council, the Pension Committee Working Group would be reconvened to focus on investment reporting. It would reconvene as early as practicable in the New Year. The proposed membership of this group would include the Chair and Vice-Chair of the Pension Committee and five other members: Mr. John Switzer, Mr. Harvey Botting, Professor Ettore Damiano, Mr. Keith Thomas. At the suggestion of a member, it was agreed that a union member should be added to this group. Mr. Alex McKinnon volunteered to serve and members agreed to the addition of Mr. McKinnon to the working group.

Motion to Adjourn

- Vote

The meeting adjourned at 6:30 p.m.

Secretary

Chair

December 13, 2013