

UNIVERSITY OF TORONTO

THE GOVERNING COUNCIL

REPORT NUMBER 20 OF THE PENSION COMMITTEE

June 1, 2015

To the Governing Council,
University of Toronto.

Your Committee reports that it held a meeting on Monday, June 1, 2015 at 4:00 p.m. in the Council Chamber, Simcoe Hall, with the following members present:

Ms Claire Kennedy, In the Chair
Mr. Alex McKinnon, Vice-Chair
Mr. Jeff Collins
Professor Ettore Vincenzo Damiano
Professor Paul Downes
Professor Jennifer Jenkins
Mr. Mark Krembil
Mr. Brian D. Lawson
Ms Leanne MacMillan
Professor Andreas Motsch
Ms Kim McLean
Mr. Philip Murton
Ms Jane Pepino
Mr. John Switzer
Mr. Andrew Szende

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, Secretary

Regrets:

Mr. Harvey Botting
Ms Janet Ecker
Dr. Gary Mooney
Ms Paulette Kennedy

In Attendance:

Mr. Geoff Matus, Chair, Investment Advisory Committee
Mr. William Moriarty, President and CEO, UTAM
Dr. Pierre Piché, Controller & Director Financial Services, University of Toronto
Mr. Allan Shapira, Plan Actuary, AON Hewitt

The Chair offered a tribute to Professor George Luste, former Chair of the Committee, who had recently passed away. She acknowledged the contributions made by Professor Luste to the Committee including his leadership of the Committee during his tenure as Chair. In addition, she noted that Professor Luste was a leading figure in the University community for over many years, serving as the President of the University of Toronto Faculty Association (UTFA), as Associate Chair for Graduate Studies in Physics and as Associate Dean for Graduate Studies in Physical Sciences.

1. Pension Fund Master Trust Statement of Investment Policies and Procedures (SIP&P)

Ms Brown and Mr. Shapira provided an overview of the SIP&P and highlighted changes in the document for the current year:

- In the section on Portfolio Diversification, additional clarity was provided with respect to currency hedging and liquidity.
- Conflict of interest guidelines for UTAM employees, including procedures for reporting instances of conflicts of interest were clarified.
- A clause related to environmental, social and governance factors was added. Ms Brown advised that additional substance would be added to this section in 2016.

In reply to a member's question, Mr. Matus and Mr. Lawson replied that the Investment Advisory Committee had implemented maximum bands around asset allocation and had conducted a review of the investment asset mix annually as well as a "deep-dive" on the asset mix every 2 or 3 years.

2. Memorandum Regarding Management Fees

Mr. Moriarty explained that the approach taken by UTAM regarding investment fees was premised on the idea that passive management, at the lowest possible fee, was the default position. An active management approach was only pursued in cases where a high level of conviction existed that a strategy and manager would outperform a simple passive approach net of all fees and costs over a reasonable time frame. He apprised the Committee that, net of all fees in FY2014, active management strategies had resulted in a net gain of two dollars for every dollar invested by the University. Finally, he noted that UTAM was attempting to develop a standard template to track fees with private market money managers.

The Chair suggested presenting a historical perspective to future memoranda on management fees to show management fees over a longer term. Ms Brown noted that the annual report on fees and expenses, which was presented to the Pension Committee each year in December, provided a historical perspective beginning from 1983. She agreed to look at that report to see whether there were further enhancements that would be useful to the Committee.

3. Actuarial Valuation Report: Transfer of University of Toronto (OISE) Pension Plan Assets to the University of Toronto Pension Plan

Ms Brown noted that the merger of the OISE Pension Plan with the University of Toronto Pension Plan was approved by Governing Council on December 11, 2014. In addition, the actuarial valuation reports for both plans were approved by the Pension Committee on March 18, 2015. Mr. Shapira then outlined the highlights of the report. In reply to a members question, Mr. Shapira noted that it was not required that members of the pension plans approve the changes, but rather that they be notified of changes.

On motion duly made, seconded and carried

It was Resolved,

THAT the actuarial valuation report for the transfer of assets as at July 1, 2014 for the University of Toronto Pension Plan (the “Successor Plan”) attached as Appendix A, be approved.

4. Update: Jointly Sponsored Pension Plan Initiatives

Professor Hildyard and Mr. Paul Downes updated the Committee on the meetings that had taken place with the JSPP working group to date. Professor Hildyard also apprised the Committee of other initiatives that had been taking place within the Council of Ontario Universities (COU) and the Ontario Confederation of University Faculty Associations (OCUFA) regarding jointly sponsored pension plans.

In reply to a member’s question, Professor Hildyard replied that the goal was for there to be recommendations from the JSPP working group to the University by June 2017 at the latest. In response to a question from a member, Mr. Shapira responded that, with respect to negotiations taking place within COU and OCUFA, the intent is to create a university sector JSPP model through broad consensus, but there would be no requirement that all universities agree to participate in a JSPP.

CONSENT AGENDA

On motion duly moved, seconded, and carried

It was Resolved

THAT the consent agenda be adopted and the items approved

5. Report of the Previous Meeting: Report Number 19, March 18, 2015

6. Business Arising from the Report of the Previous Meeting

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

7. Date of Next Meeting: September 18, 2015 at 4:00 p.m.

8. Reports of the Assessors

Ms Brown discussed with the Committee a handout which outlined several key definitions related to pension matters including going concern actuarial valuation, accrued liability and solvency actuarial valuation. There were no questions from members.

9. Other Business

The Chair offered special thanks to Mr. John Switzer for his outstanding service to the Committee, as well as his leadership of the Committee as both Chair and Vice- Chair. The Secretary presented Mr. Switzer with a ceremonial chair.

The meeting adjourned at 5:30 p.m.

Secretary

Chair

July 23, 2015