

## **April 1, 2009 Globe and Mail Article**

PENSION, ENDOWMENT FUNDS

### **U of T reports \$1.3-billion loss on investments**

**UBC and McGill also post losses, renewing debate about exposure to risk**

ELIZABETH CHURCH

April 1, 2009

EDUCATION REPORTER

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The University of Toronto, the school that brought U.S.-style investment management to Canadian campuses, is now witnessing the downside of that aggressive strategy.

The university reported yesterday that it lost \$1.3-billion on its investments last year, a result that will reduce the school's pension and endowment funds by nearly 30 per cent and is likely to renew debate about the university's exposure to risk.

The news comes at a time when campuses across the country are cutting budgets, in part because of investment losses. The University of Toronto, which boasts the country's largest endowment fund, also is shaping up to become a casualty on this front. At the University of British Columbia and McGill University, home to the second- and third-largest endowment funds in the country, leaders have said losses are running about 20 per cent. U of T's losses also are greater than the benchmark for large Canadian pension funds, which suffered an average decline of more than 18 per cent in 2008.

University provost Cheryl Misak characterized the losses as the flipside of the sizable investment gains the school has enjoyed in past years. "When you are on a hill, things are glorious, and when you are in a valley, you struggle and make it work," she said yesterday.

The university has already halted payouts from endowment funds for the coming year, which generate about \$62-million for professors' salaries, scholarships, financial aid and special events.

"There have been a host of tough decisions across the board," Dr. Misak said yesterday. The university has struggled, she said, to maintain student aid by dipping into reserve accounts, but will likely hand out fewer merit-based scholarships this year.

Bill Moriarty, president of the university's investment manager, said last year's 29.5-per-cent loss reflects the fund's large exposure to the equity markets, hedge fund investments and its currency hedging policy.

"The loss is the loss. You have to understand it in relation to our long-term perspective," said Mr. Moriarty, who joined University of Toronto Asset Management a year ago. UTAM, an independent arm of the university, was created in 2000 and was hailed then as a bold initiative, unique in Canada. It modelled its approach after that used with much success by U.S. schools - schools such as Harvard, which also are expected to report major losses as a result of the current market turmoil.

Since his arrival, Mr. Moriarty said the fund has reduced the currency hedging policy that accounted for about 12 per cent of last year's losses and is lowering hedge fund investments.

George Luste, president of the University of Toronto faculty association, is critical of that approach, saying many in the university community do not appreciate the risk associated with the pension and endowment investments. "There seemed to be an assumption that if you dial up the risk you are going to get more return, but you also increase the risk of being hammered," he said.

## **April 2, 2009 Globe and Mail letter – Barbara Michel, Toronto**

### **Explanation fails the grade**

BARBARA MICHEL

April 2, 2009

Toronto -- Given that the University of Toronto is supported by taxpayers, we need more financial accountability in the future, and an explanation - following a thorough investigation of the process the university followed in making the investments it did - of what went wrong (U Of T Reports \$1.3-Billion Loss On Investments - April 1.)

University provost Cheryl Misak's comments are damage control, rather than the clear explanation we expect from academics in her position.

## **April 3, 2009 Globe and Mail letter – Catherine Riggall, UofT**

### **Long-term investment**

CATHERINE RIGGALL

April 3, 2009

Your article U Of T Reports \$1.3-Billion Loss On Investments (April 1) deals with a one-year period. Prudent investors take a long-run view.

Our interest in long-term growth led U of T in 2000 to break with the usual Canadian model for managing endowment and pension funds because their overexposure to bonds could not ensure enough gains when markets were strong to outpace inevitable losses when markets deteriorate. As markets weakened, U of T anticipated the short-term drop and communicated four months ago we expected to withhold payments from our endowment this year. We also expect to resume payouts next year.

Our operational situation has not changed since that announcement, and our obligations to pensioners will be met per usual.

Vice-President, Business Affairs, University of Toronto

## **April 4, 2009 Globe and Mail letter – George Luste, UTFA**

### **Grading U of T's investments**

GEORGE LUSTE

April 4, 2009

Contrary to the suggestion of the University of Toronto administration in a letter to the editor (Long-Term Investment - April 3), there's ample evidence the \$1.3-billion investment blowout in 2008 is not just a one-year blip (U Of T Reports \$1.3-Billion Loss On Investments - April 1).

Between 2000 and 2008, the University's investment performance was often subpar, while its management costs increased fivefold. The disastrous effort to emulate the Yale endowment model of shifting to alternative assets exposed the university to risky hedge funds, and resulted in huge losses.

At the same time, the U of T administration has blocked the efforts of the Faculty Association to participate in the governance of our members' pension plan. All of that adds to the uncertainty for current and future pensioners at our institution, and damage-control spin-doctoring won't change that.

*president, University of Toronto Faculty Association*

[ The following text was submitted ...

Contrary to the claims of the U of T administration in their letter of April 3, there is ample evidence that its \$1.3-billion investment blowout in 2008 is not just a one-year blip.

Between 2000 and 2008, the University's investment performance was sub-par in most years, while its management costs increased fivefold.

The disastrous effort to emulate the Yale endowment model of shifting to alternative assets exposed the University to over 400 hedge funds, and resulted in losses of millions of dollars to the Madoff Ponzi swindle.

At the same time, the U of T administration has blocked the efforts of the Faculty Association to participate in the governance of our members' pension plan.

All of that adds to the uncertainty for current and future pensioners at our institution, and damage-control spin-doctoring won't change that. ]