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Date: December 17, 2007

To: Governing Council Business Board Members

From: George Luste, President, University of Toronto Faculty Association

Re: Agenda items 3. Pension Plans: Annual Financial Report and
4. Pension Fund Master Trust Investment Policy

My 5-minute time limit requires I be selective and very brief in the few issues I can raise.

Background. UTFA members are the major stakeholder group in the UofT Registered and SRA pension plans. About 65%, or about $2 billion, of the liabilities and assets pertain to faculty and librarians. A retiring professor at age 65, with 30+ years of service, today has a commuted pension value approximately in excess of one million dollars.

Issue #1. **Investment Risk should NOT be equated to Standard Deviation (Volatility)**
(see Pages 5 to 9 in - Pension Investment Risk and Target Returns, December 17, 2007)
(see Pages4 and 5 in - Pension Fund Master Trust Investment Policy

Issue #2. **Efficient Frontier simulations are NOT predictive of future returns**
(see pages 10 to 16 in - Pension Investment Risk and Target Returns, December 17, 2007)

Issue #3. **Legacy of Prior Contribution Holidays and Interest Assumption Changes**
(see pages 22 to 23 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)

Issue #4. **Costs matter! Fees and expenses increased by 48% (from $15.6 to $23.1 million)**
(see pages 33 to 34 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)

Issue #5. **Risky and Illiquid Asset Information – with a motion from UTFA Executive**
(see pages 83 to 90 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)

Issue #1. **Investment Risk should NOT be equated to Standard Deviation (Volatility)**
(see Pages 5 to 9 in - Pension Investment Risk and Target Returns, December 17, 2007)\

The Pension Fund Master Trust Investment Policy document equates investment risk with the volatility or standard deviation of nominal returns over 10 year periods.

The standard deviation is a measure of deviations from the mean of any collection of returns. I simply do not see how standard deviation is a good measure of anything resembling 'investment risk'[1].

Warren Buffet was asked this question at the most recent Berkshire annual meeting in Omaha. Here is the question and answer exchange:

> Q: What are your thoughts on tracking volatility in an attempt to measure risk?
>
> Buffett: "Volatility does not measure risk. Beta, which is a measure of volatility, is nice and mathematical, and wrong. Past volatility does not measure the risk of investing now. Risk comes from the nature of being in certain kinds of businesses and from not knowing what you're doing."

Other noted figures in the investment world express the same or similar views. Why does UofT insist otherwise? Tracking past volatility is not risk management.

Jeremy Grantham, who serves as GMO's[2] Chairman of the Board and oversees quantitative products and investment strategies, states:

> "Volatility is a symptom that people have no idea of the underlying value."

Peter Bernstein, in his excellent book on risk, Against the Gods, The Remarkable Story of Risk, writes as follows:

> "The essence of risk management lies in maximising the areas where we have some control over the outcome while minimising the areas where we have absolutely no control over the outcome and the linkage between effect and cause is hidden from us."

Over a year ago, at the March 7, 2006 meeting of Business Board, I noted that:

> ***"Risk:*** *The UTAM Report fails to explain or discuss this important topic adequately. Risk comes in many shapes and sizes. It is not always easy to quantify."*

Yet nothing has changed since this important issue was raised at Business Board.

The following page lists various uncertainties or risks implicit in investments.

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[1] The one exception that comes to mind is short term situations. Placing short term funds in volatile instruments is both foolish and clearly risky. Our pension fund is not short term.
[2] GMO is a global investment management firm. Firm wide assets under management surpass $82 billion.

Illustrative List of Investment Risks

Inflation Risk

Market Risk

Liquidity Risk

Interest Rate Risk

Market Timing Risk

Legislative Risk

Mismatch Risk

Maverick Risk

Credit (Default) Risk

Counterparty Risk

Currency Risk

Fraud, Accounting Risk

Fair Value Risk

"Not knowing what you are doing" Risk

Real (not nominal) annual pretax returns in Canadian dollars

(Real Return means Nominal Return minus inflation)

Year	Annual Canadian Inflation	3 month T-bills	Short Canadian Bonds	Long Canadian Bonds	All Canadian Bonds	Real Return Bonds	TSX Composite	S&P 500	Wilshire 5000	MSCI EAFE	MSCI Emerging Markets	Gold Bullion
1970	1.3%	5.4%		14.7%			-4.8%	-3.7%		-17.1%		-1.4%
1971	5.0%	-1.1%		9.3%			2.9%	7.9%		23.8%		9.6%
1972	5.1%	-1.5%		2.8%			21.2%	12.4%		30.0%		38.9%
1973	9.4%	-3.8%		-6.7%			-8.3%	-22.0%		-21.5%		52.7%
1974	12.3%	-3.9%		-15.1%			-34.1%	-34.8%		-31.0%		52.7%
1975	9.5%	-1.8%		-1.3%			8.3%	28.6%	29.8%	28.5%		-28.5%
1976	5.8%	3.3%		16.8%			4.9%	16.2%	18.7%	-2.7%		-10.1%
1977	9.5%	-1.5%		-0.3%			1.1%	-8.0%	-3.5%	18.3%		21.5%
1978	8.4%	0.1%		-4.0%			19.7%	6.6%	9.2%	34.3%		37.0%
1979	9.8%	1.9%		-11.4%			31.9%	6.4%	12.7%	-4.7%		103.2%
1980	11.1%	2.1%	-1.8%	-8.1%	-4.1%		17.1%	21.9%	23.0%	14.5%		6.0%
1981	12.2%	6.4%	-3.4%	-12.7%	-7.1%		-20.0%	-15.8%	-14.8%	-12.4%		-40.3%
1982	9.2%	5.8%	17.9%	33.6%	23.9%		-3.4%	15.3%	12.6%	-5.9%		9.1%
1983	4.6%	5.1%	9.9%	4.8%	6.6%		29.5%	18.6%	19.5%	20.6%		-19.0%
1984	3.7%	7.7%	8.8%	12.7%	10.6%		-5.9%	8.8%	5.6%	10.5%		-17.2%
1985	4.4%	5.5%	10.2%	21.4%	16.1%		19.8%	33.5%	34.4%	58.9%		7.1%
1986	4.2%	5.1%	6.9%	12.5%	10.1%		4.6%	12.5%	10.0%	61.1%		15.0%
1987	4.2%	4.2%	2.7%	-2.3%	-0.1%		1.7%	-4.9%	-7.5%	12.9%		10.5%
1988	4.0%	5.4%	4.2%	7.0%	5.6%		6.8%	2.9%	4.0%	13.4%	23.9%	-25.2%
1989	5.2%	7.0%	5.0%	9.4%	7.2%		15.3%	21.5%	19.2%	2.2%	52.2%	-10.4%
1990	5.0%	8.3%	5.3%	-0.6%	2.4%		-18.8%	-7.5%	-10.4%	-26.7%	-14.6%	-5.9%
1991	3.8%	5.8%	13.6%	20.7%	17.7%		7.9%	25.2%	28.8%	7.9%	53.4%	-13.7%
1992	2.1%	4.5%	6.3%	9.2%	7.6%	1.8%	-3.5%	15.9%	17.4%	-5.1%	20.0%	1.5%
1993	1.7%	3.7%	11.4%	20.1%	16.2%	16.8%	30.3%	12.6%	13.8%	35.9%	78.8%	20.3%
1994	0.2%	5.1%	-1.2%	-7.5%	-4.5%	-13.9%	-0.4%	7.3%	5.8%	14.4%	-1.9%	3.6%
1995	1.8%	5.4%	13.5%	24.2%	18.6%	14.7%	12.6%	31.6%	30.5%	6.7%	-9.4%	-3.4%
1996	2.2%	2.6%	8.4%	11.7%	9.8%	9.3%	25.6%	20.9%	19.2%	4.6%	4.3%	-6.2%
1997	0.7%	2.3%	4.1%	17.6%	8.8%	3.9%	14.1%	38.2%	36.0%	5.7%	-8.4%	-18.6%
1998	1.0%	3.7%	5.6%	11.7%	8.1%	4.9%	-2.6%	36.4%	31.0%	27.7%	-20.8%	5.2%
1999	2.6%	2.2%	-0.3%	-8.3%	-3.6%	5.3%	28.4%	11.1%	13.4%	16.8%	52.7%	-7.5%
2000	3.2%	2.2%	4.9%	9.4%	6.8%	13.0%	4.0%	-8.5%	-10.3%	-13.4%	-30.2%	-4.8%
2001	0.7%	3.7%	8.6%	5.3%	7.3%	-0.1%	-13.2%	-7.0%	-6.1%	-16.9%	3.0%	6.3%
2002	3.9%	-1.3%	2.3%	6.9%	4.7%	11.0%	-15.7%	-25.7%	-24.5%	-19.6%	-10.4%	19.7%
2003	2.0%	0.9%	3.1%	6.9%	4.6%	11.0%	24.2%	3.7%	6.1%	12.1%	25.9%	-3.4%
2004	2.1%	0.2%	2.9%	8.0%	4.9%	15.1%	12.1%	0.7%	2.3%	9.6%	14.4%	-5.0%
2005	2.2%	0.5%	0.2%	11.4%	4.2%	12.8%	21.5%	-0.6%	0.7%	8.0%	27.4%	11.5%
2006	1.6%	2.3%	2.3%	2.4%	2.4%	-4.5%	15.4%	14.2%	14.2%	25.1%	30.7%	21.5%
Average	4.7%	**2.8%**	**4.1%**	**6.3%**	**6.8%**	**6.7%**	**6.8%**	**7.9%**	**10.7%**	**8.8%**	**15.3%**	**6.3%**
Geo Mean	4.7%	**2.7%**	**4.0%**	**5.7%**	**6.6%**	**6.4%**	**5.6%**	**6.5%**	**9.6%**	**6.8%**	**11.9%**	**3.5%**
St Dev	3.5%	**3.2%**	**5.0%**	**11.2%**	**7.4%**	**8.4%**	**15.7%**	**17.1%**	**15.1%**	**21.3%**	**29.3%**	**26.3%**
Min	0.2%	-3.9%	-3.4%	-15.1%	-7.1%	-13.9%	-34.1%	-34.8%	-24.5%	-31.0%	-30.2%	-40.3%
Max	12.3%	8.3%	17.9%	33.6%	23.9%	16.8%	31.9%	38.2%	36.0%	61.1%	78.8%	103.2%

The enclosed worksheets show the annual total returns (income plus price changes) for a representative array of investable asset classes, per well-accepted indexes. One worksheet shows nominal returns by year, the other real returns (net of inflation). All returns are in terms of Canadian dollars. Foreign asset class returns are adjusted for year-end to year-end foreign exchange fluctuations to put them in Canadian dollar terms.

Data for these series was obtained or derived from public websites wherever possible. Data whose source is listed as the Globe & Mail or Financial Post were obtained or derived from public library stacks or microfilm.

Exchange rates	1970	Globe & Mail
	1971-1992	Prof. Werner Antweiler, UBC
	1993-date	Bank of Canada
Inflation	1970-1988	Statistics Canada, Table 326-0001
	1989-date	BC Government Statistics
3 month T-bills	1970-date	Libra Investment Management Inc.
Short Canadian bonds (SCM Short)	1980-1992	Financial Post
	1993-2002	Globe & Mail
	2003-date	Scotia Capital
Long Canadian bonds (SCM Long)	1970-1992	Digitized from http://www.globefund.com
	1993-2002	Globe & Mail
	2003-date	Scotia Capital
All Canadian bonds (SCM Universe)	1980-1992	Financial Post
	1993-2002	Globe & Mail
	2003-date	Scotia Capital
Real return bonds	1992-2002	Derived from pension plan reports by Libra
	2003-date	Scotia Capital
S&P/TSX Composite	1970-date	Canadian Institute of Actuaries
S&P 500	1970-2002	Economagic.com
	2003-date	Standard & Poors
Wilshire 5000	1975-date	Wilshire Associates
MSCI EAFE	1970-date	MSCI
MSCI Emerging Markets	1988-date	MSCI
Gold bullion	1970-date	Kitco

Issue #2. **Efficient Frontier simulations are NOT predictive of future returns**
(see pages 10 to 16 in - Pension Investment Risk and Target Returns, December 17, 2007)

This topic is somewhat more technical.
Background: In the 1950's Harry Markowitz wrote a graduate student thesis where he proposed that one might measure risk in terms of the variability of returns or volatility. The minimum level of volatility for any given level of return is charted on a curve that Markowitz called the efficient frontier.

However:

> "*Because volatility, risk and correlations do not behave in the same way from one period to another, the concept of the "efficient frontier", while apparently true, is not useful in practice. If you get a computer to chart risk and return for a variety of portfolios, you do get an upward limit on return for a given risk, that does follow the "efficient frontier" left to right convex curve. Although empirically we have found that efficient frontiers do exist, there seems to be no way of predicting in advance what asset allocations would give you a portfolio that lies on this curve. Therefore people that set a computer to carefully plot out a thousand portfolios to find which asset allocations have worked, will get one that only worked up until yesterday, and this portfolio will behave differently in the future.*"[3]

I simply do not understand the purpose of the Hewitt Associates Asset/Liability Study part of the document. What does it hope to accomplish?

Such 'efficient frontier' studies are simply a technical variation on financial 'data mining' and as such have no meaningful predictive value.

The attached document on the next page (from Rydex Investments) shows the efficient frontier of equity and bond mix portfolio by decade from 1960 to 2005. The wide variation in 'efficient frontier' curves demonstrates that what is 'efficient' in one decade fails to be so in the next. Thus the lack of any predictive value.

To illustrate: In the efficient frontier curve for 2000-2005 (the red curve), the fishhook is actually inverted – indicating more standard deviation (risk?) for no additional returns, or for negative returns. A 100% Bond or 70% Bond portfolio has the best return per unit of standard deviation during this time period. The time period is critical to what the resulting efficient frontier curve looks like.

[3] Travis Morien, an independent fee for service financial planner from Perth, Western Australia, see http://travismorien.com/invest_FAQ/content/view/218/58/

THE INEFFICIENT FRONTIER?

RydexInvestments
Essential for modern markets™

This image shows the efficient frontier by decade since 1960.

The dark blue fishhook on the chart indicates the historical average efficient frontier for the entire period. With each decade, the shape of the hook shifts and moves, depending on market conditions.

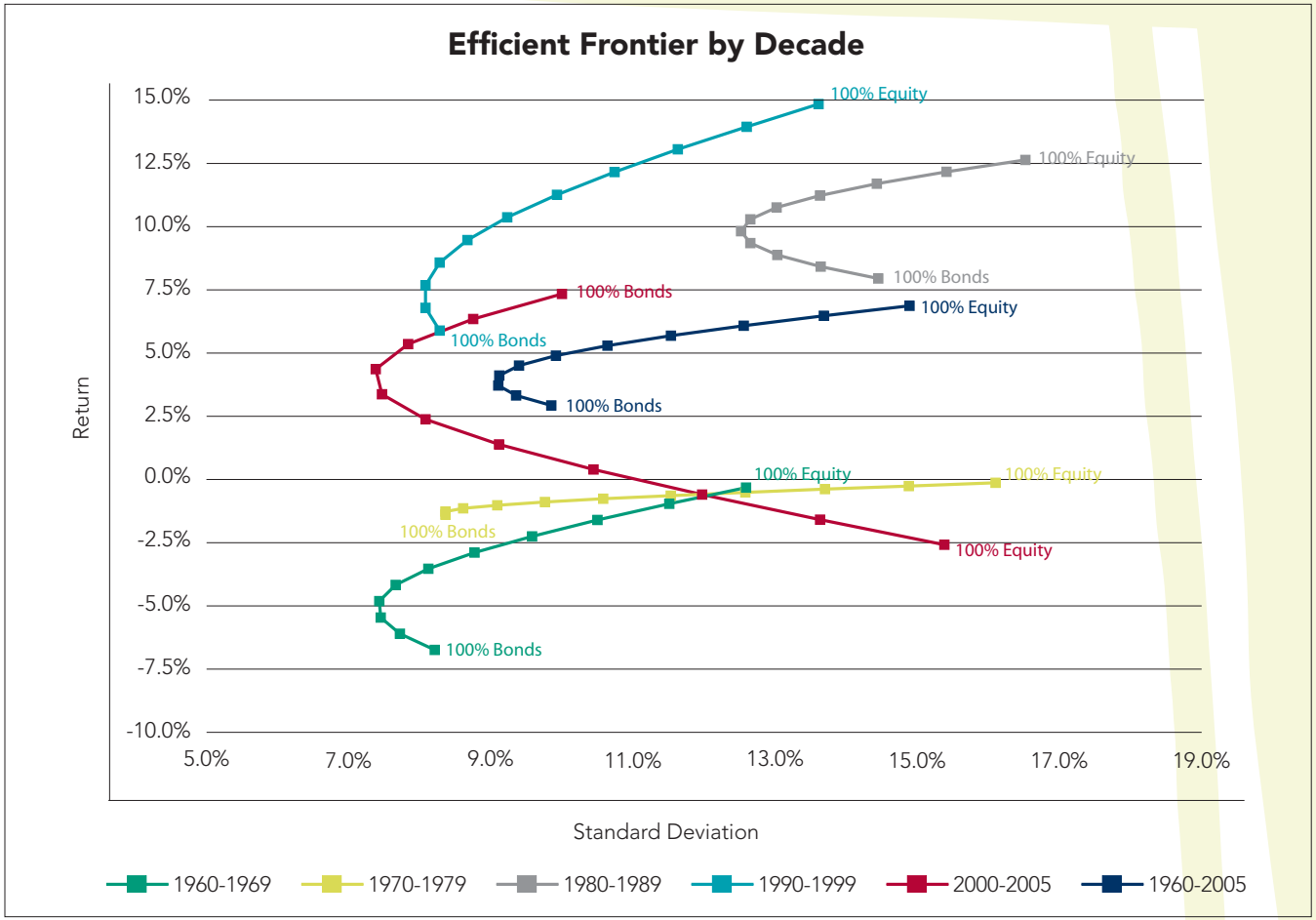
Investors expect their returns to go up as they take on more risk. However, the risk/return ratio, like the efficient frontier itself, changes along with market cycles.

In a strong market such as in the 1990s, you may be handsomely rewarded for taking on more risk.

In a weak market such as in the 1970s, you may only reap minimal returns when taking on more risk.

In the efficient frontier for 2000-2005, the fishhook is actually inverted—indicating more risk for no additional returns, or for negative returns.

A static portfolio may not be right for changing market conditions. Call your financial professional today to re-evaluate your portfolio for today's markets—and ensure that it still meets your risk/return expectations.



[1]*Standard Deviation: A statistical measure of the historical volatility of an investment, usually computed using 36 monthly returns. More generally, a measure of the extent to which numbers are spread around their average. The higher the number, the more volatility is to be expected.*

Source data used to create the chart: Calculated by Rydex Investments using information and data presented in Ibbotson Investment Analysis Software (1/31/2006), ©2006 Ibbotson Associates, Inc. All rights reserved. Used with permission. ***Performance displayed represents past performance, which is no guarantee of future results.*** *This example is for illustrative purposes only. The chart above depicts the efficient frontier of equity and bond portfolios illustrated in 10% increments. Equity returns are based on the returns of the S&P 500® Index, which includes the reinvestment of dividends and is adjusted for inflation. Bond returns include the reinvestment of dividends and are adjusted for inflation and based on Ibbotson Long-Term Government Bond Index, which has a maturity near 20 years. The S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Ibbotson Long-Term Government Bond Index is a total return index of all public organizations of the U.S Treasury except flower bonds and foreign-targeted issues. All bonds have maturities of at least 10 years or more. The returns are weighted by market value including accrued interest. The bonds represented in this index are backed by the U.S. government, yet involve risk of principal loss if sold prior to maturity. The S&P 500 and the Ibbotson Long-Term Government Bond Index are unmanaged and not available for direct investment.*

Securities are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

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Issue #3. **Legacy of Prior Contribution Holidays and Interest Assumption Changes**
(see pages 22 to 23 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)

December, 2007

The U of T Pension Plan - Contribution Holidays - Summary Data 1 of 2

All dollar figures are totals for both faculty and support staff at U of T

Excepting columns [4] and [7], all annual numbers come from the annual Hewitt Actuarial Reports.

	Employee			Employer - U of T				
[1] Academic Year to July 1	[2] Pension Service Cost $ in Mil	[3] Actual Pension Input $in Mil	[4] Cumulative Pension Holiday $ in Mil	[5] Pension Service Cost $ in Mil	[6] Actual Pension Input $in Mil	[7] Cumulative Pension Holiday $ in Mil	[8] Actual Market Return Rate	[9] Interest Rate Assumption in RPP
1987	8.9	Partial	2.3	24.8	Partial	15.5	13.2%	2.5%
1988	9.6	Full Input	2.3	26.6	No Contribution	42.2	0.3%	2.5%
1989	10.4	Partial	4.4	28.5	No Contribution	79.8	12.8%	2.5%
1990	11.2	No Contribution	10.6	31.4	No Contribution	113.3	1.9%	2.5%
1991	12.2	Full Input	11.4	28.6	No Contribution	153.5	8.2%	3.0%
1992	13.1	Full Input	12.7	35.7	Partial	182.0	11.2%	3.0%
1993	17.2	Full Input	14.5	36.4	Partial	232.2	14.0%	3.0%
1994	16.8	Full Input	15.0	37.0	No Contribution	278.6	3.5%	3.0%
1995	16.0	Full Input	17.1	35.8	No Contribution	358.4	14.0%	3.0%
1996	15.5	Full Input	19.2	30.8	No Contribution	438.3	12.6%	3.0%
1997	16.1	Full Input	23.3	30.6	No Contribution	568.7	21.3%	3.5%
1998	16.9	No Contribution	44.1	31.1	No Contribution	687.4	14.6%	3.5%
1999	18.0	No Contribution	63.3	30.9	No Contribution	732.7	2.0%	4.0%
2000	19.8	No Contribution	97.1	33.3	No Contribution	895.4	16.9%	4.0%
2001	20.7	No Contribution	111.8	34.7	No Contribution	882.7	-5.1%	4.0%
2002	22.3	Partial	119.7	37.3	No Contribution	897.9	-2.4%	4.0%
2003	24.4	Full Input	119.3	42.9	No Contribution	938.0	-0.3%	4.0%
2004	25.6	Full Input	137.7	47.1	Partial	1,089.5	15.4%	4.0%
2005	26.7	Full Input	152.7	51.6	Extra Input	1,194.5	10.9%	4.0%
2006	29.5	Full Input	164.6	56.0	Extra Input	1,257.6	7.8%	4.0%
2007	32.0	Full Input	196.2	64.7	Extra Input	1,492.1	19.2%	4.0%

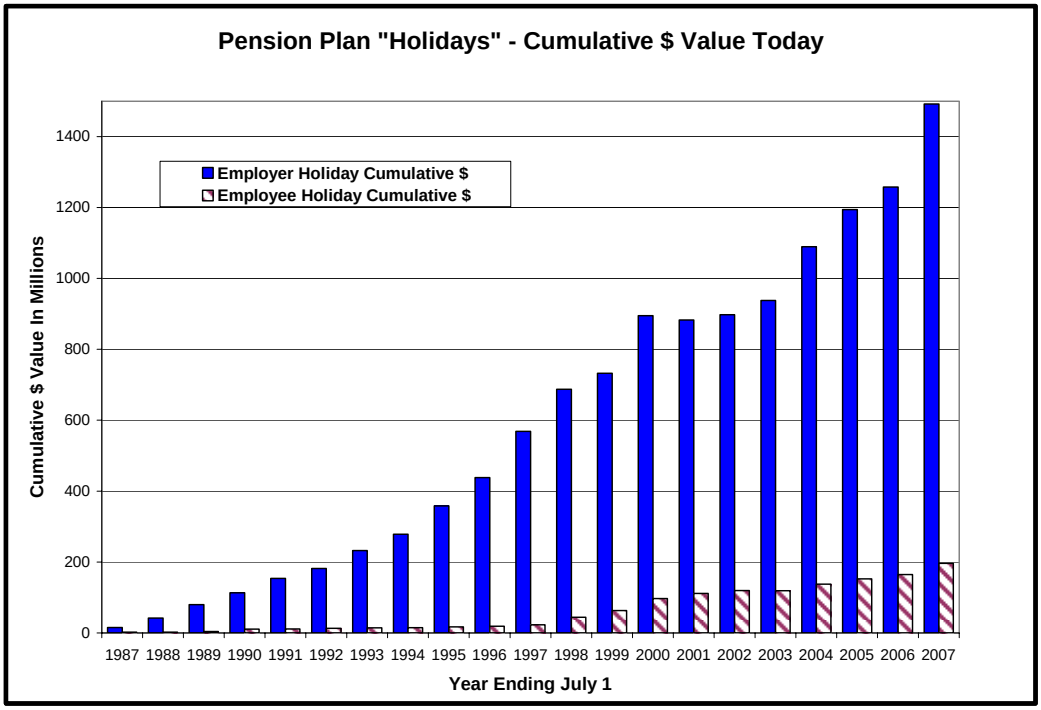
December, 2007

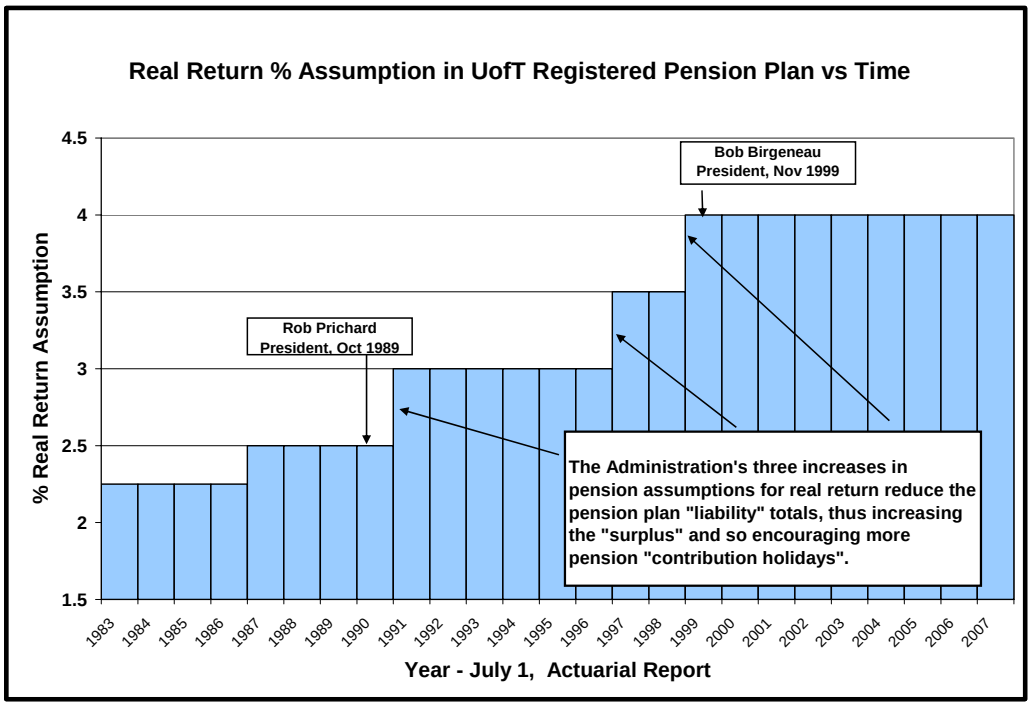
The U of T Pension Plan - Contribution Holidays - Summary Data 2 of 2

All dollar figures are totals for both faculty and support staff at U of T

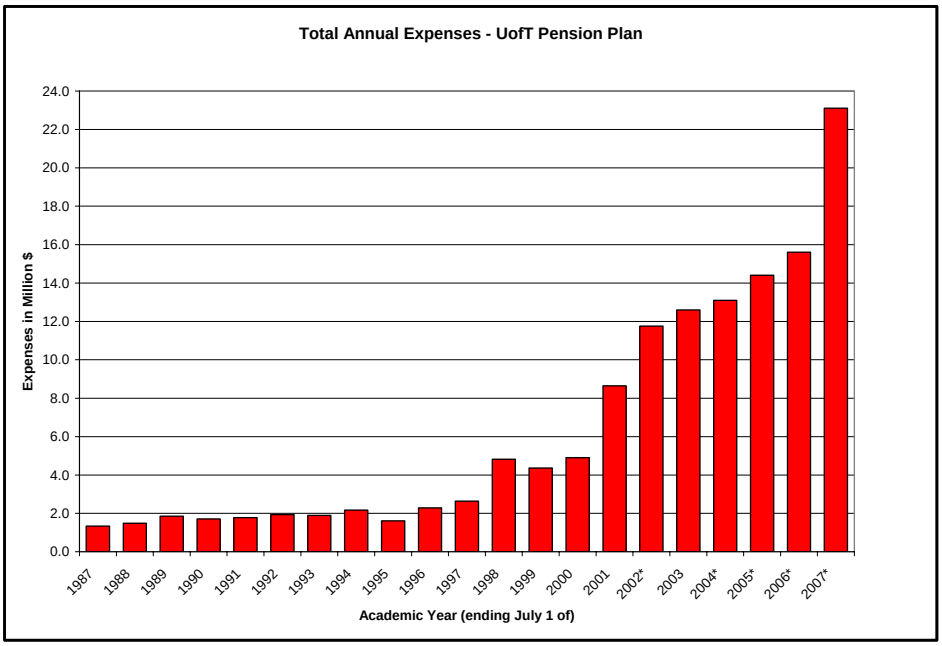
Excepting columns [5] and [9], all annual numbers come from the annual Hewitt Actuarial Reports.

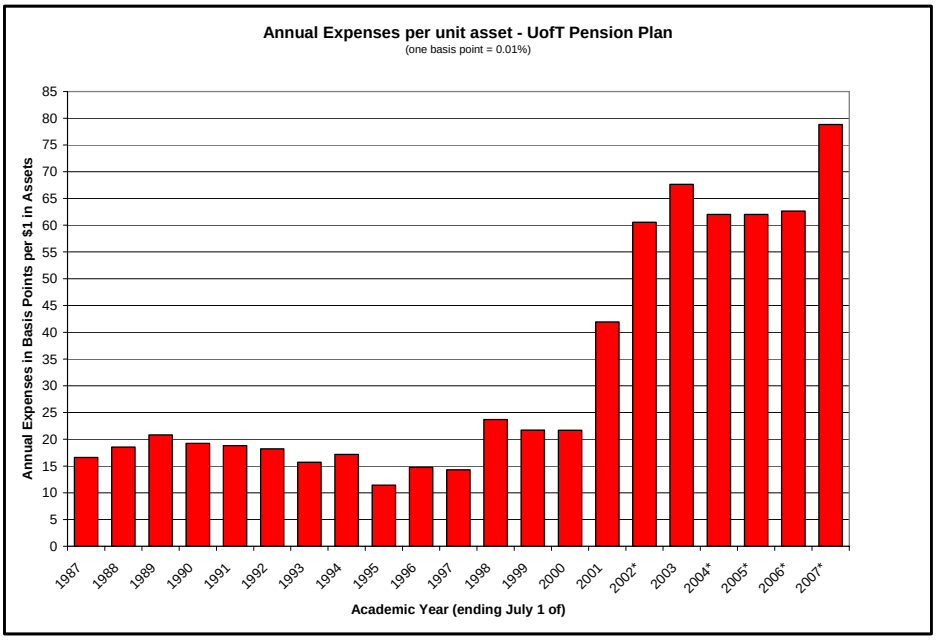
	Employee - Pension Plan Member				Employer - U of T, Plan Administrator						
[1] Academic Year to July 1	[2] Pension Service Cost $ in Mil	[3] Actual Pension Input $in Mil	[4] Yearly Pension Holiday $ in Mil	[5] Cumulative Pension Holiday $ in Mil	[6] Pension Service Cost $ in Mil	[7] Actual Pension Input $in Mil	[8] Yearly Pension Holiday $ in Mil	[9] Cumulative Pension Holiday $ in Mil	[10] Actual Market Return Rate	[11] RPP Cost (Fees) $ in Mil	[12] Interest Rate Assumption in RPP
1987	8.9	6.9	2.0	2.3	24.8	11.1	13.7	15.5	13.2%	1.3	2.5%
1988	9.6	8.5	0.0	2.3	26.6	0.0	26.6	42.2	0.3%	1.5	2.5%
1989	10.4	8.8	1.6	4.4	28.5	0.0	28.5	79.8	12.8%	1.9	2.5%
1990	11.2	5.2	6.0	10.6	31.4	0.0	31.4	113.3	1.9%	1.7	2.5%
1991	12.2	12.2	0.0	11.4	28.6	0.0	28.6	153.5	8.2%	1.8	3.0%
1992	13.1	13.1	0.0	12.7	35.7	25.6	10.1	182.0	11.2%	1.9	3.0%
1993	17.2	17.6	0.0	14.5	36.4	14.7	21.7	232.2	14.0%	1.9	3.0%
1994	16.8	17.1	0.0	15.0	37.0	0.0	37.0	278.6	3.5%	2.2	3.0%
1995	16.0	16.4	0.0	17.1	35.8	0.0	35.8	358.4	14.0%	1.6	3.0%
1996	15.5	16.4	0.0	19.2	30.8	0.0	30.8	438.3	12.6%	2.3	3.0%
1997	16.1	15.7	0.0	23.3	30.6	0.0	30.6	568.7	21.3%	2.6	3.5%
1998	16.9	1.8	15.1	44.1	31.1	0.0	31.1	687.4	14.6%	4.8	3.5%
1999	18.0	0.0	18.0	63.3	30.9	0.0	30.9	732.7	2.0%	4.4	4.0%
2000	19.8	0.0	19.8	97.1	33.3	0.0	33.3	895.4	16.9%	4.9	4.0%
2001	20.7	0.0	20.7	111.8	34.7	0.0	34.7	882.7	-5.1%	8.6	4.0%
2002	22.3	11.5	10.8	119.7	37.3	0.0	37.3	897.9	-2.4%	11.8	4.0%
2003	24.4	24.4	0.0	119.3	42.9	0.0	42.9	938.0	-0.3%	12.6	4.0%
2004	25.6	25.6	0.0	137.7	47.1	41.0	6.1	1,089.5	15.4%	13.1	4.0%
2005	26.7	26.7	0.0	152.7	51.6	64.1	-12.4	1,194.5	10.9%	14.4	4.0%
2006	29.5	29.6	0.0	164.6	56.0	83.9	-27.9	1,257.6	7.8%	15.6	4.0%
2007	32.0	32.0	0.0	196.2	64.7	70.5	-5.8	1,492.1	19.2%	23.1	4.0%
Sum	382.9	289.5	94.0		775.8	310.9	470.8				


Pension Plan "Holidays" - Cumulative $ Value Today
Employer Holiday Cumulative $
Employee Holiday Cumulative $
Cumulative $ Value In Millions
0
200
400
600
800
1000
1200
1400
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Year Ending July 1


Real Return % Assumption in UofT Registered Pension Plan vs Time
% Real Return Assumption
4.5
4
3.5
3
2.5
2
1.5
Bob Birgeneau
President, Nov 1999
Rob Prichard
President, Oct 1989
The Administration's three increases in pension assumptions for real return reduce the pension plan "liability" totals, thus increasing the "surplus" and so encouraging more pension "contribution holidays".
1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
Year - July 1, Actuarial Report

Issue #4. **Costs matter! Fees and expenses increased by 48% (from $15.6 to $23.1 million)**
(see pages 33 to 34 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)





Issue #5. **Risky and Illiquid Asset Information – with a motion from UTFA Executive**
(see pages 83 to 90 in - UofT Pension Plans, Annual Financial Report (June 30, 2007)

December 14, 2007

Motion passed today by UTFA Executive:

Whereas the Business Board of Governing Council will be requested to approve the audited financial statements for the University of Toronto Pension Plan, June 30, 2007 at its meeting on December 17, 2007

Whereas the current statement of net assets includes in excess of $500 million in allocation of pension assets to:

(i) Hedge funds,
(ii) Private equities,
(iii) Real Assets and
(iv) Derivative related receivables
(v) Other non-long-equity and non-long-fixed-income investments or instruments, such as foreign currency forward contracts, equity and commodity index future contracts, etc

Whereas UTFA has concerns with respect to the imbedded financial risks and the fair market value of these assets:

(1) UTFA seeks, on behalf of its members and the 4,700 active and retired faculty and librarians who are beneficiaries of the pension fund, additional information regarding the above identified pension plan assets.

(a) What are the details regarding these assets? Such as - What is their liquidity? What are their associated risks? What, if any, are their 'hidden' risks? Has UTAM signed any 'lock-in' agreements regarding any of the assets? If yes what are the amounts and for what time period? Within these allocations what is the real or potential exposure to structured financial transactions, such as various asset-backed-commercial-papers (ACBP)? Is a write-down on any of these assets possible?

(b) To determine the dollar value of 'net assets available for benefits', the Plan must determine a 'fair value' for assets that have no public market (such as the stock market provides for equities). What are the details regarding how the 'fair value' is determined for these assets and what are the associated uncertainties or risks in this determination?

(c) What are the fees associated with each of these assets?

(2) If the information provided to UTFA in response to the above is not satisfactory, UTFA will consider initiating an independent audit of the financial risks and the 'fair value' estimates given in the University of Toronto Pension Plan Financial Statement for 2006-07.