

**Lakehead University**  
**Pension Investment Fund**  
**Financial Statements**  
For the year ended December 31, 2020

**Contents**

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## Independent Auditor's Report

### To the Administrator of Lakehead University Pension Investment Fund

#### Opinion

We have audited the fund financial statements of Lakehead University Pension Investment Fund (the fund financial statements) which comprise of the statement of net assets available for benefits as at December 31, 2020 and the statement of changes in net assets available for benefits for the year then ended, and notes to the fund financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying fund financial statements present fairly, in all material respects, the net assets available for benefits of Lakehead University Pension Investment Fund as at December 31, 2020, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act of Ontario.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Fund Financial Statements* section of our report. We are independent of Lakehead University Pension Investment Fund in accordance with the ethical requirements that are relevant to our audit of the fund financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Administrator of the Fund to meet the requirements of the Financial Services Regulatory Authority. As a result, the fund financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Administrator of the Fund and the Financial Services Regulatory Authority and should not be used by parties other than the Administrator of the Fund or the Financial Services Regulatory Authority.

#### Responsibilities of Management and Those Charged with Governance for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act of Ontario, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the fund financial statements, management is responsible for assessing Lakehead University Pension Investment Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Lakehead University Pension Investment Fund or to cease operations, or has no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing Lakehead University Pension Investment Fund's financial reporting process.

## Independent Auditor's Report

### Auditor's Responsibilities for the Audit of the Fund Financial Statements

Our objectives are to obtain reasonable assurance about whether the fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these fund financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the fund financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakehead University Pension Investment Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Lakehead University Pension Investment Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Lakehead University Pension Investment Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the fund financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
June 4, 2021

## Lakehead University Pension Investment Fund Statement of Net Assets Available for Benefit

December 31 (in thousands of dollars)

2020

2019

	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 581	\$ 94	\$ 675	\$ 1,004	\$ 163	\$ 1,167
Investments, at market value (Note 3, Schedules 1 and 2) (cost 2020 - \$186,231; cost 2019 - \$188,546)	196,595	31,898	228,493	192,677	30,593	223,270
HST receivable	14	2	16	10	2	12
Sponsor's contributions receivable	457	81	538	466	78	544
Employees' contributions receivable	377	139	516	384	81	465
	<b>198,024</b>	<b>32,214</b>	<b>230,238</b>	<b>194,541</b>	<b>30,917</b>	<b>225,458</b>
<b>Liabilities</b>						
Accounts payable (Note 4)	298	48	346	259	42	301
<b>Net assets available for benefits</b>	<b>\$ 197,726</b>	<b>\$ 32,166</b>	<b>\$ 229,892</b>	<b>\$ 194,282</b>	<b>\$ 30,875</b>	<b>\$ 225,157</b>

On behalf of the Administrator

The accompanying notes are an integral part of these financial statements.

## Lakehead University Pension Investment Fund Statement of Changes in Net Assets Available for Benefits

For the year ended December 31 (in thousands of dollars)	2020			2019		
	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total
<b>Increase in assets</b>						
Investment income	\$ 4,200	\$ 681	\$ 4,881	\$ 4,617	\$ 750	\$ 5,367
Net realized gains on investments	1,242	202	1,444	2,357	383	2,740
Net unrealized change in market value of investments	5,501	2,037	7,538	15,868	2,773	18,641
Other cash receipts - pension transfers (Note 6)	-	-	-	20	14	34
Contributions (Note 7) - employees	4,640	1,386	6,026	3,157	709	3,866
- sponsor	4,210	633	4,843	3,986	661	4,647
	<u>19,793</u>	<u>4,939</u>	<u>24,732</u>	<u>30,005</u>	<u>5,290</u>	<u>35,295</u>
<b>Decrease in assets</b>						
Administration and professional fees (Note 8)	1,030	167	1,197	876	138	1,014
Pension benefits and refunds (Note 9)	15,688	3,112	18,800	14,702	3,240	17,942
	<u>16,718</u>	<u>3,279</u>	<u>19,997</u>	<u>15,578</u>	<u>3,378</u>	<u>18,956</u>
<b>Increase in net assets available for benefits</b>	<b>3,075</b>	<b>1,660</b>	<b>4,735</b>	<b>14,427</b>	<b>1,912</b>	<b>16,339</b>
Net assets available for benefits, beginning of year	194,282	30,875	225,157	177,461	31,357	208,818
Interfund Pension Transfers (Note 6)	369	(369)	-	2,394	(2,394)	-
<b>Net assets available for benefits, end of year</b>	<b>\$ 197,726</b>	<b>\$ 32,166</b>	<b>\$ 229,892</b>	<b>\$ 194,282</b>	<b>\$ 30,875</b>	<b>\$ 225,157</b>

The accompanying notes are an integral part of these financial statements.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 1. Description of Plans

The Lakehead University Pension Investment Fund ("the Fund") consists of two plans. The following description of the Professional and Administrative Staff Plan ("PP") and the Lakehead University Employee Pension Plan ("LUEPP") is a summary only. For more complete information, reference should be made to the Plan Agreements.

The Fund consists of 100% ownership of a Master Trust and a segregated short term account, the assets of which are held by Northern Trust. Addenda Capital, Fiera Capital Corporation, Dimensional Fund Advisors Canada ULC, Jarislowsky Fraser Limited, Letko Brosseau & Associates Inc., and State Street Global Advisors act as managers for the Fund and have discretionary investment authority. As of December 31, 2020, the LUEPP held 399,284.40 units or 14.13%, and the Professional Plan held 2,426,151.35 units or 85.87%, of a total of 2,825,435.75 units of the Master Trust, not including the Short Term Account.

The Fund is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

#### Professional and Administrative Staff Plan

The Plan is a contributory defined contribution pension plan. The Plan also provides for a defined benefit guarantee for service prior to January 1, 1997. Under the Plan, contributions of 6.5% (2019 - 6.5%) of earnings were made by faculty and librarians and 8.05% (2019 - 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2019 - 8.05%) of earnings were made by employees and 8.05% (2019 - 8.05%) by the Plan sponsor. During 2020, most employee groups in the Professional Plan voted to remove the CPP offset to their employee contributions.

#### Lakehead University Employee Pension Plan

The Plan is a contributory defined contribution pension plan. Under the Plan, employees contribute 7.9% (2019 - 7.9%) of their earnings except for contracted employees who contribute 7.15% (2019 - 7.15%) of their earnings. The Plan sponsor matches employee contributions. For contract lecturers, contributions of 6.5% (2019 - 6.5%) of earnings were made by employees and 7.9% (2019 - 7.9%) by the Plan sponsor. During 2020, most employee groups in the Employee Plan voted to remove the CPP offset to their employee contributions.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 2. Significant Accounting Policies

#### Basis of Presentation

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Regulatory Authority ("FSRA") for financial statements under Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. These regulations require pension plans to adhere to the provisions of *Section 4600 - Pension Plans in Part IV - Accounting Standards for Pension Plans* of the CPA Canada Handbook although they permit the exclusion of the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations. These financial statements have been prepared to assist in meeting the requirements of FSRA. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply Canadian accounting standards for private enterprises.

These Significant Accounting Policies are intended solely for the Administrator of the Fund and FSRA and should not be used by parties other than the Administrator of the Fund or FSRA.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and term deposits with maturity dates of less than 90 days from the date that they were acquired.

#### Investments

Investments are stated at fair value which is based on closing quoted market prices. Investments are recorded on a trade date basis. The fair value of units in the Master Trust represents the fair value of the underlying assets. Investments in pooled funds are valued using unit prices provided by the pooled fund administrator, which represent the plan's proportionate share of underlying net assets at fair values determined using closing market prices.

The investment income recognized is the increase or decrease in the value of the pooled funds. Dividends and interest are reinvested within the pooled funds. Distributions from pooled funds are recorded when declared by the pooled fund managers.

The realized gain (loss) on investments is determined by the excess (shortfall) of proceeds over average cost of investments sold.

The fair value adjustments represent the unrealized appreciation (depreciation) in fair value of investments held at the year-end less the related unrealized appreciation (depreciation) as at the previous year-end.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 2. Significant Accounting Policies (cont'd)

#### Use of Estimates

The preparation of financial statements in accordance with the accounting principles described in the significant accounting policies requires the Fund Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Fund Administrator's best estimates as additional information becomes available in the future.

#### Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

#### Pension Benefits

The Plans provide pension payments on death and/or retirement to eligible members and their spouses based on contributions and gains accrued during their employment at Lakehead University. Pension benefits are shown as expenditures in the year of payment.

#### Contributions

Employee and employer contributions due to Plans as at the end of the year are recorded on an accrual basis. The Plans further allow Additional Voluntary Contributions (AVC), subject to the Money Purchase Limit imposed by Canada Revenue Agency. AVC's are recorded as employee contributions.



## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

### 3. Investments

	2020		2019	
	Market Value	Cost	Market Value	Cost
Canadian equities	\$ 30,296	\$ 25,288	\$ 29,214	\$ 25,810
Canadian unit trust equities	56,649	52,819	55,099	50,255
US unit trust equities	60,787	29,640	55,622	29,267
Canadian unit trust bonds	77,944	75,667	78,977	78,856
Accrued income	53	53	77	77
Short-term investments	2,764	2,764	4,281	4,281
	<u>\$ 228,493</u>	<u>\$ 186,231</u>	<u>\$ 223,270</u>	<u>\$ 188,546</u>

#### Broken down by Plan:

Professional and Administrative Staff Plan	\$ 196,595	\$ 160,234	\$ 192,677	\$ 162,804
Employee Pension Plan	31,898	25,997	30,593	25,742
	<u>\$ 228,493</u>	<u>\$ 186,231</u>	<u>\$ 223,270</u>	<u>\$ 188,546</u>

The Professional and Administrative Staff Plan held 86.04% and the Employee Pension Plan held 13.96% of total assets, after accounting for the Short Term Account.

## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

### 3. Investments (cont'd)

#### Individually significant investments

The cost or market value of the following investments exceeds 1% of the cost or market value of total pension fund investments at December 31, 2020:

	2020 Market Value	2020 Cost
<b>Canadian Equity Fund</b>		
Jarislowsky Fraser Investments - Equity Fund (1)	\$32,623	\$30,270
Letko Brosseau - RSP Equity Fund (2)	24,026	22,549
<b>Bond Fund</b>		
Addenda Capital - Bond Fund(3)	33,610	32,603
Addenda Capital - Commercial Mortgage Fund (3)	20,279	19,778
Jarislowsky Fraser Investments - Bond Fund (1)	24,055	23,286
<b>Foreign Equity Fund</b>		
State Street Global Advisors - Global Equity Unit Trust (4)	41,535	12,252
Dimensional Fund Advisors - International Small Cap (5)	19,252	17,388
<b>Miscellaneous - Other</b>		
Jarislowsky Fraser Investments - Short Term Investments (1)	2,764	2,764
Fiera Capital Corporation - Canadian common stocks (6)	\$30,349	\$25,341

- (1) Jarislowsky Fraser investments are pooled funds administered by Jarislowsky Fraser Limited.
- (2) Letko Brosseau investments are pooled funds administered by Letko, Brosseau & Associates Inc.
- (3) Addenda Capital investments are a pooled fund administered by Addenda Capital.
- (4) State Street Global Advisors investments are a pooled fund administered by State Street Global Advisors, Ltd.
- (5) Dimensional Fund investments are pooled funds administered by Dimensional Fund Advisors Canada ULC
- (6) Fiera Capital Corporation are segregated funds administered by Fiera Capital Corporation (formerly CGOV Asset Management)

## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

#### 4. Accounts Payable

	2020	2019
<b>Investment Management</b>		
Addenda Capital	\$ 39	\$ 42
Fiera Capital Corporation	31	31
Letko-Brosseau	17	21
Jarislowsky Fraser Limited	35	32
State Street Global Advisors, Ltd.	11	10
<b>Other</b>		
BDO Canada LLP - Audit	11	10
Eckler Ltd. - Actuarial	55	39
Eckler Ltd. - Consulting	32	-
Proteus - Investment Advisors	28	29
Northern Trust - Custodial Services	12	13
Lakehead University	75	74
	<b>\$ 346</b>	<b>\$ 301</b>

#### 5. Actuarial Valuation

In the event that an actuarial valuation discloses a going concern unfunded liability or a solvency deficiency as defined by the Pension Benefits Act (1987), the University will be obligated to make additional contributions as required by the Act. The most recent actuarial valuation of the Plan at December 31, 2019, reported that based on then current provisions, the Plan had both a going concern unfunded liability and a solvency deficiency, and that additional University contributions would be required upon filing. The University made special payments of \$444,400 in 2020 and is scheduled to make annual special payments of \$2,803,200 until the next scheduled actuarial valuation.

#### 6. Pension Transfers

Pension transfers into the Lakehead University Plans were \$nil (2019 - \$34).

Transfers between the Lakehead University Employee Pension Plan and the Professional and Administrative Staff Plan were \$369 (2019 - \$2,394). Funds are transferred for members of the Lakehead University Employee Pension Plan that transfer to the Professional and Administrative Staff Plan when changing benefit classification effective January 1, 2021.

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**Lakehead University Pension Investment Fund**  
**Notes to Financial Statements**

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December 31, 2020 (in thousands of dollars)

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7. Contributions

	Professional Plan 2020	LUEPP 2020	Total 2020	Professional Plan 2019	LUEPP 2019	Total 2019
<b>Employee</b>						
Current Service Contributions	\$ 4,640	\$ 1,386	\$ 6,026	\$ 3,157	\$ 709	\$ 3,866
<b>Sponsor</b>						
Current Service Contributions	3,766	633	4,399	3,542	661	4,203
Going Concern and Solvency Special Payments	444	-	444	444	-	444
	<u>4,210</u>	<u>633</u>	<u>4,843</u>	<u>3,986</u>	<u>661</u>	<u>4,647</u>
	<u>\$ 8,850</u>	<u>\$ 2,019</u>	<u>\$ 10,869</u>	<u>\$ 7,143</u>	<u>\$ 1,370</u>	<u>\$ 8,513</u>

As of December 31, 2020 no required contributions were past due.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

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### 8. Administrative Expenses and Professional Fees

	2020	2019
Investment management fees	\$ 557	\$ 552
Actuarial fees	256	170
Investment counselling	113	115
Audit fees	11	11
Consulting fees	97	-
Custodial service fees	51	49
Other - Pension Commission	17	15
Administration	111	114
Goods and services tax rebate	(16)	(12)
	\$ 1,197	\$ 1,014

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### 9. Pension Benefits and Refunds

	2020	2019
Pension benefits	\$ 6,995	\$ 7,070
Refunds (deaths, terminations, resignations and retirements)	11,805	10,872
	\$ 18,800	\$ 17,942

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### 10. Related Party Transactions

The Pension Fund does not hold any securities of the employer sponsor or its related parties.

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### 11. Income Taxes

The Fund is not subject to income tax since it is a Registered Pension Trust as defined by the Income Tax Act (Canada).

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 12. Financial Instruments

The objective of the Fund is to maximize the long-term return for its defined contribution members, balanced with the relative preservation of capital, followed by capital growth in its Retirement Account. The Fund's investment policy is established by the Board of Governors and is set out in the statement of investment policies and procedures ("SIPP"). The SIPP was last amended June 5, 2020 with primarily administrative updates, and one non-trivial update. The update was a change to the asset allocation targets of the funds, allowing up to 7% investment in real estate, increasing the target for global equities by 10%, lowering the target for Canadian bonds by 7%, and lowering the target for Canadian equity by 10%.

The SIPP permits cash and cash equivalents, and fixed income investments in: bonds, debentures, coupons and residuals, mortgage and mortgage backed securities, asset-backed securities and preferred shares. It additionally permits equity investments in: publicly traded common stocks; rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks; income trust units issued and/or registered in jurisdictions where appropriate legislation is in place to limit the liability of unitholders; American Depositary Receipts; and Global Depositary Receipts. Investments in alternative strategies that are permitted include: private equity, real estate, and hedge funds. The SIPP outlines an asset allocation target of:

Asset Class	Permissible Range
Canadian Money Market	0-20%
Canadian Fixed Income	23-50%
Canadian Equities	10-30%
Global Equities	30-50%
Alternative Assets	0-12%

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 12. Financial Instruments (cont'd)

The Fund is in compliance with the SIPP's allowable asset allocation, as at December 31, 2020.

The Plan's investment performance is expected to:

- a) exceed the investment performance of the benchmark index over rolling 4-year periods; or
- b) rank in the top 50% of comparable portfolios over rolling 4-year period in terms of return.

The performance of the investment manager(s) relative to an appropriate benchmark and/or peer group over 4-year periods will be evaluated quarterly. The performance of individual asset classes is expected to:

- a) exceed the return of their corresponding benchmark indices by an average of 0.5%; or
- b) rank in the top 50% of the appropriate investment manager performance measurement universes over rolling 4-year periods in terms of return.

In 2020, the Fund had a one year rate of return of 6.4% and a four year return of 5.8%, measured against a one year benchmark of 9.8% and a four year benchmark of 7.6%.

The carrying value of cash and cash equivalents, sponsor's and employees' contributions receivable, and accounts payable approximates their fair value because of their short-term nature.

Risks arising from financial instruments:

#### **Interest Rate Risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's financial position and revenue. This risk arises from the Fund's investments whose returns are linked to interest rates. The Plan invests in pooled funds that may hold debt instruments linked to interest rates.

#### **Foreign Currency Risk**

Foreign currency exposure arises from the Fund's holdings of foreign equity or debt instruments. The Fund invests in pooled funds that may hold debt or equity instruments denominated in a foreign currency and as such would be exposed to fluctuations in currency risks. All of the Fund's investments are denominated in Canadian or US Dollars. US Dollar investments are translated into Canadian Dollars at the market rate at the end of the fiscal period. Investments denominated in foreign currencies are noted on the Schedule of Cost and Market Value of Investments by type (Schedule 1). An increase or decrease of 5% in the US exchange rate would result in an increase or decrease of net assets available for benefits of \$3,039.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

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December 31, 2020 (in thousands of dollars)

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### 12. Financial Instruments (cont'd)

#### Market Risk

Concentrations of market risk exist when a significant portion of the portfolio is invested in securities with similar characteristics and/or similar economic, political or other conditions that may prevail. The Fund Administrator believes that the investments in which the Fund invests spreads the market risk over different market sectors. The Fund Administrator uses a variety of investment management companies to ensure the portfolio is balanced to help mitigate market risk. An increase or decrease of 10% of the Fund's investment portfolio would result in an increase or decrease of net assets available for benefits of \$22,849.

An increase or decrease of 10% in the portion of the portfolio invested in Canadian Equities would result in an increase or decrease of net assets available for benefits of \$8,699.

An increase or decrease of 10% in the portion of the portfolio invested in Foreign Equities would result in an increase or decrease of net assets available for benefits of \$6,079

#### Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty (borrower) to fully honour its financial obligations with the owner (lender), including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligation.

The Administrator has put in place a Statement of Investment Policies and Procedures that contains a set of guidelines for the fixed income portfolio to limit single issuer exposure.

The Fund's most significant credit risk exposure arises from its investments in interest bearing investments. While the Fund may have credit risk exposure to bonds and commercial mortgages, it manages this risk by holding such investments in pooled funds, as described in Note 3. The pooled funds represent 34% (2019 - 35%) of the total investments.

#### Liquidity Risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely and cost effective manner. Liquidity requirements are managed through income generated from investments, monthly contributions made by employers, and by investing in publicly traded liquid assets that are easily sold and converted to cash. The Fund invests only in liquid investments that are traded in an active market.



## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

### 12. Financial Instruments (cont'd)

#### Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

#### Level 1:

For securities valued based on unadjusted quoted prices in active markets for identical assets.

#### Level 2:

For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

#### Level 3:

For securities valued based on inputs that are based on unobservable market data.

The following tables present the Fund's financial investments evaluated at fair value as at December 31<sup>st</sup>, classified according to the fair value hierarchy described above:

	Level 1	Level 2	Level 3	2020 Total
<b>Canadian</b>				
Cash and cash equivalents	\$ 675	\$ 2,764	-	\$ 3,439
Equities - Common Stock	30,349	-	-	30,349
Unit Trusts - Bonds and debentures	-	77,944	-	77,943
Unit Trusts - Equities	-	56,649	-	56,650
<b>Foreign</b>				
Unit Trusts - Equities	-	60,787	-	60,787
	<u>\$ 31,024</u>	<u>\$ 198,144</u>	<u>-</u>	<u>\$ 229,168</u>

	Level 1	Level 2	Level 3	2019 Total
<b>Canadian</b>				
Cash and cash equivalents	\$ 1,167	\$ 4,281	-	\$ 5,448
Equities - Common Stock	29,291	-	-	29,291
Unit Trusts - Bonds and debentures	-	78,977	-	78,977
Unit Trusts - Equities	-	55,099	-	55,099
<b>Foreign</b>				
Unit Trusts - Equities	-	55,622	-	55,622
	<u>\$ 30,458</u>	<u>\$ 193,979</u>	<u>-</u>	<u>\$ 224,437</u>

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

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### 12. Financial Instruments (cont'd)

The following is an analysis of the investments of the Fund using the hierarchy related to the inputs to fair value measurement.

#### Level 1

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable quote is observable. US partnerships are classified as Level 1 when they are held in a pooled fund and a reliable quote is observable. Cash, short-term notes and treasury bills are classified as Level 1. These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates market value.

#### Level 2

These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates market value. The Fund classified unit trusts as Level 2.

#### Level 3

The Fund has no investments classified as Level 3.

As at December 31, 2020 and 2019 the Fund's investments are Level 1 and 2 within the fair value hierarchy. There were no transfers between levels during the year.

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### 13. Capital Management

The Administrator defines the Fund's capital as its net assets available for benefits. The Fund's objective when managing its capital is to safeguard its ability to provide benefits to members, as further described in Note 12. The Fund's assets are invested in accordance with its Statement of Investment Policies and Procedures, which includes the asset mix recommended by the Fund's investment consultant, and which is projected to enable the Fund to meet or exceed its ongoing and long-term funding requirements within an acceptable level of risk. There has not been any change in what the Fund considers to be capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

The investment managers appointed by the Fund are directed to achieve a long-term rate of return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term objective of the Fund is to achieve a total return such that the Fund can continue to provide the ongoing and projected benefits to its members.

There have been no changes in what the Fund considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes for the year.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

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### 14. Subsequent Event

The Financial Services Regulatory Authority (FSRA) raised an issue with the Plan amendments made to the Professional and Administrative Staff Plan in 2000. The amendment provided that pensioner increases would be granted only to the extent that the funds in the Retirement Account of the Plan were sufficient to support the increase.

On March 10, 2021 the Board of Governors of the University passed a resolution to authorize a change to the calculation of pension increases for any member of the plan who elected to retire prior to the adoption of Amendment 2000-1, which became effective January 1, 2000. As a result, affected members are owed pension increases retroactive to January 1, 2000. The increased monthly pensions payable to affected members will start with the March 2021 payment and lump sum payments in respect of the retroactive increases will be provided to affected members later in 2021. As of the date of this valuation, the financial position does not reflect the impact of the increased monthly pensions in respect of future payments after the valuation date nor does it reflect the value of the retroactive lump sum payments with interest.

Retroactive corrections to pension increases are being provided to members who retired prior to the adoption of Amendment 2000-1. This will result in an increase to liabilities of approximately \$4.0M and subsequent payouts amounting to \$11.7M in 2021, both measured as at December 31, 2020. The subsequent payouts will result in a direct reduction of the net assets available for benefits.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2020 (in thousands of dollars)

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### 15. COVID-19 (“Coronavirus”)

In March 2020, the World Health Organization declared the spread of coronavirus (“COVID-19”) outbreak as a pandemic. As a result of this, on March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. In addition, the Canadian government imposed travel restrictions to Canada until further notice. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions. The impact of COVID-19 also adversely impacted global commercial activity and contributed to the significant volatility in certain equity and debt markets. This led to significant volatility and declines in the global public equity markets, and it is uncertain how long this volatility will continue.

The extent of such adverse effects on the University’s business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak; physical distancing requirements; the duration and geographic scope of related travel advisories and restrictions; and the extent of disruptions to businesses globally and its related impact on the economy.

The Pension Fund’s assets are held separately and distinctly from Lakehead University’s operations; therefore, the University’s ongoing operations are not expected to have any impact on the Pension Fund itself. At this time, the full potential impact of COVID-19 on Lakehead University and on the Pension Fund is not known.

## Lakehead University Pension Investment Fund Schedule 1 - Market Value and Cost of Investments by Type

December 31 (in thousands of dollars)	2020		2019	
	Market value	Cost	Market value	Cost
<b>Equities</b>				
<b>Common stock</b>				
Canada - CAD	\$30,296	\$25,288	\$ 29,214	\$ 25,810
<b>Unit trust equity</b>				
Canada - CAD	56,649	52,819	55,099	50,255
Foreign - USD	60,787	29,640	55,622	29,267
<b>Total unit trust equity</b>	117,436	82,459	110,721	79,522
<b>Total equities</b>	147,732	107,747	139,935	105,332
<b>Fixed Income</b>				
<b>Unit trust bonds</b>				
Canada - CAD	77,944	75,667	78,977	78,856
	225,676	183,414	218,912	184,188
<b>Short term investments</b>	2,764	2,764	4,281	4,281
<b>Accrued income</b>	53	53	77	77
<b>Total investments</b>	\$228,493	\$186,231	\$ 223,270	\$ 188,546

The accompanying notes are an integral part of these financial statements.

**Lakehead University Pension Investment Fund**  
**Schedule 2 - Market Value and Cost of Investments**  
**by Investment Manager**

December 31 (in thousands of dollars)	2020		2019	
	Market Value	Cost	Market Value	Cost
Addenda Capital	\$ 53,889	\$ 52,381	\$ 58,165	\$ 57,879
Fiera Capital Corporation	30,349	25,341	29,291	25,887
Dimensional Fund Advisors Canada ULC	19,252	17,388	19,262	17,022
Jarislowsky Fraser Limited	59,442	56,320	52,960	51,274
Letko, Brosseau & Associates Inc.	24,026	22,549	27,232	24,239
State Street Global Advisors	41,535	12,252	36,360	12,245
	<b>\$ 228,493</b>	<b>\$ 186,231</b>	<b>\$ 223,270</b>	<b>\$ 188,546</b>

The accompanying notes are an integral part of these financial statements.