

Lakehead University  
Pension Investment Fund  
Financial Statements  
For the year ended December 31, 2021

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## Independent Auditor's Report

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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, 2021 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, 2021, 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.

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## Independent Auditor's Report

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### 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 10, 2022

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

December 31 (in thousands of dollars)	2021			2020		
	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	\$ 521	\$ 91	\$ 612	\$ 581	\$ 94	\$ 675
Investments, at market value (Note 3, Schedules 1 and 2) (cost 2021 - \$193,162; cost 2020 - \$186,231)	211,861	36,977	248,838	196,595	31,898	228,493
HST receivable	14	3	17	14	2	16
Sponsor's contributions receivable	745	105	850	457	81	538
Employees' contributions receivable	391	139	530	377	139	516
	<u>213,532</u>	<u>37,315</u>	<u>250,847</u>	<u>198,024</u>	<u>32,214</u>	<u>230,238</u>
<b>Liabilities</b>						
Accounts payable (Note 4)	300	52	352	298	48	346
<b>Net assets available for benefits</b>	<u>\$ 213,232</u>	<u>\$ 37,263</u>	<u>\$ 250,495</u>	<u>\$ 197,726</u>	<u>\$ 32,166</u>	<u>\$ 229,892</u>

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)

2021

2020

	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
Increase in assets						
Investment income	\$ 3,798	\$ 663	\$ 4,461	\$ 4,200	\$ 681	\$ 4,881
Net realized gains on investments	11,391	1,988	13,379	1,242	202	1,444
Net unrealized change in market value of investments	12,180	2,320	14,500	5,501	2,037	7,538
Other cash receipts - pension transfers (Note 6)	9	15	24	-	-	-
Contributions (Note 7) - employees	4,861	1,529	6,390	4,640	1,386	6,026
- sponsor	7,452	913	8,365	4,210	633	4,843
	<u>39,691</u>	<u>7,428</u>	<u>47,119</u>	<u>19,793</u>	<u>4,939</u>	<u>24,732</u>
Decrease in assets						
Administration and professional fees (Note 8)	1,165	207	1,372	1,030	167	1,197
Pension benefits and refunds (Note 9)	23,320	1,824	25,144	15,688	3,112	18,800
	<u>24,485</u>	<u>2,031</u>	<u>26,516</u>	<u>16,718</u>	<u>3,279</u>	<u>19,997</u>
Increase in net assets available for benefits	15,206	5,397	20,603	3,075	1,660	4,735
Net assets available for benefits, beginning of year	197,726	32,166	229,892	194,282	30,875	225,157
Interfund Pension Transfers (Note 6)	300	(300)	-	369	(369)	-
Net assets available for benefits, end of year	<u>\$ 213,232</u>	<u>\$ 37,263</u>	<u>\$ 250,495</u>	<u>\$ 197,726</u>	<u>\$ 32,166</u>	<u>\$ 229,892</u>

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

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# Lakehead University Pension Investment Fund

## Notes to Financial Statements

December 31, 2021 (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, T. Rowe Price, Burgundy Asset Management, Crestpoint Investments, and State Street Global Advisors act as managers for the Fund and have discretionary investment authority. As of December 31, 2021, the LUEPP held 404,015.58 units or 15.03%, and the Professional Plan held 2,284,692.01 units or 84.97%, of a total of 2,688,707.59 units of the Master Trust.

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% (2020 - 6.5%) of earnings were made by faculty and librarians and 8.05% (2020 - 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2020 - 8.05%) of earnings were made by employees and 8.05% (2020 - 8.05%) by the Plan sponsor.

#### Lakehead University Employee Pension Plan

The Plan is a contributory defined contribution pension plan. Under the Plan, employees contribute 7.9% (2020 - 7.9%) of their earnings except for contracted employees who contribute 7.15% (2020 - 7.15%) of their earnings. The Plan sponsor matches employee contributions. For contract lecturers, contributions of 6.5% (2020 - 6.5%) of earnings were made by employees and 7.9% (2020 - 7.9%) by the Plan sponsor.

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# Lakehead University Pension Investment Fund

## Notes to Financial Statements

December 31, 2021 (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. Real estate investments are held through limited partnerships. The fair values of real estate funds are based on the net asset values reported in their respective financial statements. Fair values of the underlying real estate assets are based on the external manager or third party appraisals of the real estate properties.

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

December 31, 2021 (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, 2021 (in thousands of dollars)

### 3. Investments

	2021		2020	
	Market Value	Cost	Market Value	Cost
Canadian equities	\$ 25,574	\$ 18,676	\$ 30,296	\$ 25,288
Canadian denominated unit trust equities	64,209	57,953	56,649	52,819
US denominated unit trust equities	74,621	31,288	60,787	29,640
Canadian denominated unit trust bonds	78,897	79,708	77,944	75,667
Real estate	2,677	2,677	-	-
Accrued income	44	44	53	53
Short-term investments	2,816	2,816	2,764	2,764
	<u>\$ 248,838</u>	<u>\$ 193,162</u>	<u>\$ 228,493</u>	<u>\$ 186,231</u>

Broken down by Plan:

Professional and Administrative Staff Plan	\$ 211,861	\$ 164,458	\$ 196,595	\$ 160,234
Employee Pension Plan	36,977	28,704	31,898	25,997
	<u>\$ 248,838</u>	<u>\$ 193,162</u>	<u>\$ 228,493</u>	<u>\$ 186,231</u>

The Professional and Administrative Staff Plan held 85.14% and the Employee Pension Plan held 14.86% of total assets.

## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2021 (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, 2021:

	2021 Market Value	2021 Cost
<b>Canadian Equity Fund</b>		
Jarislowsky Fraser Investments - Equity Fund (1)	\$31,994	\$27,545
<b>Bond Fund</b>		
Addenda Capital - Bond Fund (2)	31,228	31,892
Addenda Capital - Commercial Mortgage Fund (2)	23,733	23,491
Jarislowsky Fraser Investments - Bond Fund (1)	23,936	24,325
<b>Foreign Equity Fund</b>		
State Street Global Advisors - Global Equity Fund (3)	50,260	12,258
Dimensional Fund Advisors - International Small Cap (4)	24,361	19,030
Burgundy - Global Equity Value Fund - Ex-Canada (5)	16,724	14,656
T. Rowe Price - Global Equity Growth Fund (6)	15,491	15,752
<b>Miscellaneous - Other</b>		
Jarislowsky Fraser Investments - Short Term Investments (1)	2,816	2,816
Fiera Capital Corporation - Canadian common stocks (7)	25,618	18,720
Crestpoint - Canadian Real Estate (8)	2,677	2,677
	<u>\$248,838</u>	<u>\$193,162</u>

- (1) Jarislowsky Fraser investments are pooled funds administered by Jarislowsky Fraser Limited.
- (2) Addenda Capital investments are a pooled fund administered by Addenda Capital.
- (3) State Street Global Advisors investments are a pooled fund administered by State Street Global Advisors, Ltd.
- (4) Dimensional Fund investments are pooled funds administered by Dimensional Fund Advisors Canada ULC
- (5) Burgundy investments are pooled funds administered by Burgundy Asset Management Inc.
- (6) T. Rowe Price investments are pooled funds administered by T. Rowe Price Inc.
- (7) Fiera Capital Corporation are segregated funds administered by Fiera Capital Corporation (formerly CGOV Asset Management)
- (8) Crestpoint investments are a real estate investment administered by Crestpoint Real Estate Investments Ltd.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2021 (in thousands of dollars)

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#### 4. Accounts Payable

	2021	2020
Investment Management		
Addenda Capital	\$ 41	\$ 39
Fiera Capital Corporation	26	31
Letko-Brosseau	-	17
Jarislawsky Fraser Limited	36	35
State Street Global Advisors, Ltd.	14	11
Burgundy	35	-
T. Rowe Price	29	-
Other		
BDO Canada LLP - Audit	11	11
Eckler Ltd. - Actuarial	17	55
Eckler Ltd. - Consulting	27	32
Proteus - Investment Advisors	29	28
Northern Trust - Custodial Services	13	12
Lakehead University	74	75
	\$ 352	\$ 346

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#### 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, 2020, 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 \$2,803,200 in 2021 and is scheduled to make annual special payments of \$2,720,400 in 2022 and each year until the next scheduled actuarial valuation in 2022.

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#### 6. Pension Transfers

Pension transfers into the Lakehead University Plans were \$24 (2020 - \$nil).

Transfers between the Lakehead University Employee Pension Plan and the Professional and Administrative Staff Plan were \$300 (2020 - \$369). 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 of each year.

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Lakehead University Pension Investment Fund  
Notes to Financial Statements

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December 31, 2021 (in thousands of dollars)

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7. Contributions

	Professional Plan 2021	LUEPP 2021	Total 2021	Professional Plan 2020	LUEPP 2020	Total 2020
Employee						
Current Service Contributions	\$ 4,861	\$ 1,529	\$ 6,390	\$ 4,640	\$ 1,386	\$ 6,026
Sponsor						
Current Service Contributions	4,649	913	5,562	3,766	633	4,399
Going Concern and Solvency Special Payments	2,803	-	2,803	444	-	444
	<u>7,452</u>	<u>913</u>	<u>8,365</u>	<u>4,210</u>	<u>633</u>	<u>4,843</u>
	<u>\$ 12,313</u>	<u>\$ 2,442</u>	<u>\$ 14,755</u>	<u>\$ 8,850</u>	<u>\$ 2,019</u>	<u>\$ 10,869</u>

As of December 31, 2021 no required contributions were past due.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2021 (in thousands of dollars)

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### 8. Administrative Expenses and Professional Fees

	2021	2020
Investment management fees	\$ 673	\$ 557
Actuarial fees	247	256
Investment counselling	121	113
Audit fees	11	11
Consulting fees	150	97
Custodial service fees	54	51
Other - Pension Commission	18	17
Administration	113	111
Goods and services tax rebate	(15)	(16)
	\$ 1,372	\$ 1,197

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### 9. Pension Benefits and Refunds

	2021	2020
Pension benefits	\$ 16,270	\$ 6,995
Refunds (deaths, terminations, resignations and retirements)	8,874	11,805
	\$ 25,144	\$ 18,800

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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

December 31, 2021 (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

December 31, 2021 (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, 2021.

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 2021, the Fund had a one year rate of return of 14.4% and a four year return of 7.5%, measured against a one year benchmark of 12.6% and a four year benchmark of 8.7%.

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 \$3,731.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2021 (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 \$24,884.

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 \$5,761.

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 \$10,684.

#### 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 32% (2020 - 34%) 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, 2021 (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	2021 Total
<i>Canadian</i>				
Cash and cash equivalents	\$ 612	\$ 2,816	-	\$ 3,428
Equities - Common Stock	25,618	-	-	25,618
Unit Trusts - Bonds and debentures	-	78,897	-	78,897
Unit Trusts - Equities	-	31,994	-	31,994
Real Estate	-	-	2,677	2,677
<i>Foreign</i>				
Unit Trusts - Equities	-	106,836	-	106,836
	<u>\$ 26,230</u>	<u>\$ 220,543</u>	<u>\$ 2,677</u>	<u>\$ 249,450</u>

	Level 1	Level 2	Level 3	2020 Total
<i>Canadian</i>				
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
<i>Foreign</i>				
Unit Trusts - Equities	-	60,787	-	60,787
	<u>\$ 31,024</u>	<u>\$ 198,144</u>	<u>-</u>	<u>\$ 229,168</u>

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2021 (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

These instruments are not based on observable market data. The Fund classified real estate as Level 3.

As at December 31, 2021 the Fund's investments are Level 1, 2 and 3 within the fair value hierarchy. \$2,677 was transferred from level 2 to level 3 in 2021. There were no transfers between levels in 2020.

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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.

## Lakehead University Pension Investment Fund

### Schedule 1 - Market Value and Cost of Investments by Type

December 31 (in thousands of dollars)	2021		2020	
	Market value	Cost	Market value	Cost
Equities				
Common stock				
Canada - CAD	\$25,574	\$18,676	\$30,296	\$25,288
Unit trust equity				
Canada - CAD	31,994	27,545	56,649	52,819
Foreign - CAD	32,215	30,408	-	-
Foreign - USD	74,621	31,288	60,787	29,640
Total unit trust equity	138,830	89,241	117,436	82,459
Total equities	164,404	107,917	147,732	107,747
Fixed Income				
Unit trust bonds				
Canada - CAD	78,897	79,708	77,944	75,667
Real Estate				
Canada - CAD	2,677	2,677	-	-
	245,978	190,302	225,676	183,414
Short term investments	2,816	2,816	2,764	2,764
Accrued income	44	44	53	53
Total investments	\$248,838	\$193,162	\$228,493	\$186,231

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)	2021		2020	
	Market Value	Cost	Market Value	Cost
Addenda Capital	\$ 54,961	\$ 55,383	\$ 53,889	\$ 52,381
Fiera Capital Corporation	25,618	18,720	30,349	25,341
Dimensional Fund Advisors Canada ULC	24,361	19,030	19,252	17,388
Burgundy	16,724	14,656	-	-
Jarislowky Fraser Limited	58,746	54,686	59,442	56,320
Letko, Brosseau & Associates Inc.	-	-	24,026	22,549
State Street Global Advisors	50,260	12,258	41,535	12,252
T. Rowe Price	15,491	15,752	-	-
Crestpoint	2,677	2,677	-	-
	<b>\$ 248,838</b>	<b>\$ 193,162</b>	<b>\$ 228,493</b>	<b>\$ 186,231</b>

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