Lakehead UNIVERSITY

retirement

PLAN REVIEW

Spring/Summer 2024

Contents

Access newsletters online:

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PERFORMANCE SUMMARY

INVESTMENT STRATEGY

Capital Markets are unpredictable over short time periods and a well-diversified portfolio will help protect your capital over the long-term. Successful long-term investors do not focus on poor performance in any given year – they review their strategy and make sure it is well aligned with their long-term objectives. Completing a 'Risk Profile' will help to determine the type of investor you are. If you are unsure of the best strategy for you, you should seek independent professional advice before making your investment decisions.

Period Ending March 31, 2024

	1 Year	3 Year	4 Year	10 Year
Lakehead Pension Total Portfolio	15.1	6.8	11.7	6.8
Benchmark	*13.3*	*5.9*	*10.1*	*6.9*
Lakehead Short Term Account*	5.0	2.7	2.1	1.6
Benchmark	*4.8*	*2.6*	*2.0*	*1.4*

*Performance shown is for the underlying pooled fund.

Plan Governance

Plan Governance is handled by the Pension Board and Pension Advisory Committee.

The Professional Plan is administered by the Pension Board which is advisory to the Board of Governors. The Pension Board consists of the following members:

- Two Members of the Faculty (Bargaining Units #1 and #2);
- One Pensioner;
- One Member of Non-Faculty Staff; and
- Two persons chosen by the Board of Governors.

The Employee Plans is administered by the Pension Advisory Committee, which is advisory to the Board of Governors of the University. The Committee consists of:

- Two members appointed by the Board of Governors;
- One member of each bargaining unit;
- One member of non-union staff; and
- One member of non-union Technical staff.

Lakehead's Investment Structure and Managers

Investment Structure

Lakehead University Main Pension Plan

Lakehead Pension Total Portfolio — The pension plan investment structure is comprised of a number of underlying investment funds managed by various investment management firms (see below). The goal of the investment mix is to provide long term capital growth and capital preservation. The Portfolio is currently invested in Canadian large-cap and mid-cap equities, Canadian bonds, Canadian commercial mortgages, American large-cap and small cap equities and International large-cap and small-cap equities.

Lakehead University Short Term Account

Short Term Account — The Short Term Account is comprised of one underlying investment fund managed by Jarislowsky Fraser (JF). The underlying fund is a money market fund. Money market funds invest in short term interest bearing (or discount) securities of governments, corporation and other short term borrowers with a time horizon generally under one-year. The rate of return for the fund should be consistent with short term Canadian interest rates.

Underlying Investment Managers

Main Pension Plan

Balanced Fund

Jarislowsky Fraser Total Portfolio — Invests in the pooled JF Canadian equity and bond funds. The target allocation is a 50-50 split between the two funds. The JF Canadian equity fund emphasizes buying long-term growth at a reasonable price. The JF Bond fund is managed based on safety of principal, conservative duration management, and optimization of yield.

Canadian Equity Fund

CGOV Canadian Equity — Attempts to buy companies at a sufficient discount to their intrinsic values. The companies are diversified across a minimum of globally recognized industry sectors with the mandate limited to 25 companies. The fund is not expected to exhibit index-like characteristics.

American Equity Fund

Dimensional US Equity Small Cap Value — Invests primarily in securities of small-cap U.S. companies.

Global Equity Funds

Burgundy Global Equity — Follows a value philosophy with a quality bias, on the basis that capital preservation is a key element in generating strong returns over the long term. Burgundy's objective is to buy high quality businesses at attractive valuations and hold them for the long term. Valuation is built based on 5-year cash flows model which is discounted back at 8% or higher.

State Street Global Advisors (SSgA) — A portfolio of primarily large capitalization global equity stocks that is intended to match the return on the MSCI World Index.

T. Rowe Price Global Growth Equity — Seeks long-term capital appreciation and applies a growth-oriented approach, but with a mind-set that valuation always matters in generating alpha and in controlling absolute and relative risks. The strategy also maintains a focus on companies that they believe offer sustainability and robustness in their future earnings and cash flow growth, that have strong business models, and that apply rational deployment of capital.

International Equity Fund

Dimensional International Small Cap Value — Invests primarily in securities of small-cap international (non-U.S.) companies.

Fixed Income Funds

Addenda Bond Fund — Invests in a diversified portfolio of bonds and provides investors with interest income and safety of principal along with opportunities for moderate capital growth.

Addenda Commercial Mortgages Fund — Invests in commercial mortgages which are held until maturity unless their annual review process indicates a cause for concern.

Importance of Developing a Retirement Plan

With inflation eating away at savings, Canadians are increasingly recognizing the importance of having a well-crafted financial plan to navigate the transition from work to retirement.

Fidelity's most recent annual retirement survey, which gathers insights from nearly 2000 Canadians, indicates there is a trend towards delaying retirement, with fewer individuals opting for early retirement compared to previous years. A rising cost of living, inadequate savings, and the absence of a concrete retirement plan support this trend.

According to the survey, 84% of pre-retirees with a documented plan feel financially prepared for retirement, compared to a mere 43% of those without one. However, despite its benefits, only 28% of pre-retirees reported having a written financial plan in place. Additionally, those who work with a financial advisor are more confident that their financial goals are within reach.

For many of us, the major barrier is not knowing where to start when crafting a plan. Common components of a financial roadmap include:

- Details about income sources during retirement;
- Estimates for retirement spending;
- Total savings required;
- Provisions for healthcare expenses;
- Strategies for wealth transfer to future generations; and
- Considerations for home modifications and other unforeseen expenses.

By proactively addressing concerns and setting clear goals, one can navigate the complexities of retirement, determine what age they are on track to retire by, and the steps to take to improve these estimates. Finding a suitable and reliable financial planner can help you develop a roadmap, complete with financial projections. Remember, it's never too early or too late to start planning for the retirement you envision.

Ready to Retire

Unlocking the Benefits of RRSPs

Planning for retirement can seem like a daunting task, especially if you are just starting out in the workforce. However, understanding the basics and benefits of Registered Retirement Savings Plans (RRSPs) can set you on the right path towards financial security.

An RRSP is a savings plan designed to help Canadians save for retirement. The appeal of an RRSP lies in its tax advantages. When you contribute to an RRSP, you can deduct the amount from your taxable income, reducing the amount of income tax you owe. Additionally, your investments within the RRSP grow tax-deferred until you withdraw them, allowing for compounded growth over time.

One of the key benefits of RRSPs is the flexibility they offer. While the primary purpose is saving for retirement, the Canadian government allows you to use your RRSP funds for other important life events, such as buying your first home, through the Home Buyers Plan (HBP).

The HBP was first introduced in 1992 and allows first-time homebuyers to withdraw funds from their RRSPs, up to a certain limit, to use towards the purchase of a home. Recently, the federal government announced an increase in the withdrawal limit from $35,000 to $60,000, effective April 16, 2024. What this means is eligible individuals can now access more funds from their RRSPs to contribute towards their down payment, providing significant support for those in the market for their first home.

As part of this update to the HBP, the repayment grace period has temporarily been extended from 2 years to 5 years. While individuals will still have to pay back the full amount over a 15-year time frame, homebuyers now have additional time before they need to start making repayments on the withdrawn amount. This extension offers greater flexibility and alleviates some of the financial pressure associated with repaying the funds.

To summarize, RRSPs serve as a valuable resource for Canadians to build their retirement savings while also offering flexibility to pursue other significant life objectives, such as owning a home. Understanding the benefits, including the expanded opportunities provided by initiatives like the Home Buyers Plan, can empower individuals to make informed financial decisions for their future. Whether you are just starting your career or nearing retirement, leveraging RRSPs wisely can help secure a brighter financial future.

M A R K E T R E V I E W

Canadian Equities

- Canadian equities returned 6.6% during the first quarter of 2024.
- The top performing sectors were health care, energy, and industrials, generating returns of 18.4%, 13.1%, and 11.1%, respectively.
- All sectors yielded positive returns except for communication services and utilities, which generated returns of -8.5% and -1.1%, respectively.
- Communication services represented the worst performing sector in the S&P/TSX index, attributed to elevated debt levels and heightened uncertainty surrounding interest rates.
- The recovery of the energy sector can be attributed to the resurgence of crude oil prices, with Brent and WTI prices rebounding by 10% and 13%, respectively.
- The S&P/TSX Composite Index outperformed the MSCI Emerging Markets Index over the quarter but underperformed the S&P 500 Index and the MSCI World Index.

Foreign Equities

- International markets, represented by the MSCI EAFE Index (C$), and the U.S. market, represented by the S&P 500 Index (C$), returned 8.7% and 13.5% respectively for the quarter.
- Global markets, represented by the MSCI World Index (C$), returned 11.9%.
- Emerging markets, represented by the MSCI Emerging Market Index (C$), returned 5.1%.

Fixed Income

- Both The U.S. Federal Reserve and the Bank of Canada kept their key interest rates unchanged at 5.50% and 5.00%, respectively, during the quarter.
- The markets believe that rates have peaked but are uncertain of when potential rate cuts could be initiated by central banks.
- Both Canadian and U.S. government bond yields rose over the quarter, with the 10-year Canadian government bond yield rising 37bps to 3.47% and the 10-year U.S. treasury yield increasing 32bps to 4.21%.
- Year-over-year inflation cooled in Canada and dropped from 3.4% in December to 2.9% in March, with core inflation reaching to the lowest level since March 2021.

A note about the performance summary:

Returns are shown before fees unless indicated. Past performance of a fund is not necessarily indicative of future performance.

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