

RETIREMENT PLAN REVIEW



CPP Improvements on the Horizon

Everyone working in Canada contributes to the Canada Pension Plan (CPP). For 2016, you contribute on earnings up to \$54,900 of the year's maximum pensionable earnings (YMPE) and your employer matches your contributions. The amount of your pension from the CPP depends on your earnings and the number of years you have worked before retirement. For 2016, the maximum annual pension you could receive is around \$13,104. Since many do not earn the full amount required to get the full annual benefit, and most do not work all years from age 18-65, the average annual CPP payment is just over \$7,700. CPP pensions are indexed so they increase with inflation each year – the increase in pension to cover future price increases is a valuable part of this benefit.

With a maximum annual benefit of just \$13,104 it is great news that the Government of Canada has agreed to enhance the CPP. The enhancements to the CPP are targeted to be phased in over seven years, starting in 2019.

Some may ask the question: "with the CPP increasing, do I need to save as much for retirement?" The answer is yes. It is important to continue saving just as much as before, especially due to increasing lifespans, low interest rates and uncertain market returns.

Absolute versus relative increase in pension

While the percentage increase in the CPP for some could be large, the amount in terms of actual pension dollars is still just a portion of what you will need to retire comfortably. Based on working from age 18-65, someone age 30 making \$75,000 per year would see a CPP benefit increase of just over 35 per cent. While this increase sounds large, if you were retiring today and the CPP was 35 per cent higher than the current amounts noted above (\$7,700 increased by 35 per cent is \$10,400) your lifestyle may not change much. In short, the absolute increase in pension is a help but still needs additional pension income funded by participation in a corporate savings program.

It takes time to get a larger pension

The CPP is earned for each year you work and the improvement in the CPP is earned on service starting after 2019 (the phase in period is through 2025). If you are age 50 and make between \$50,000 and \$75,000, the potential increase in maximum CPP is only about 10-15 per cent.

Although the CPP enhancements are great news for Canadians, it is important to ensure you continue saving for retirement, as the CPP will mostly likely only be a portion of your retirement income needs.

Access newsletters online:



Lakehead University Plan Members have access to Proteus' website where you can view current and past newsletters, Proteus' performance updates, investment manager presentations and other pension plan related documents.

www.proteusperformance.com

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PROTEUS

READY TO RETIRE?



At what age should I take my Canada Pension Plan (CPP) – or Quebec Pension Plan (QPP) in Quebec?

The normal age for retirement under the CPP/QPP is 65. This is when you are eligible to receive the full pension you qualify for based on your years of participation and level of contribution into the plan. You are entitled to begin receiving your pension as early as 60 and as late as 70, however the benefits are permanently reduced by about 6.5 per cent for each year before age 65.

Consider the following points when deciding when to start taking your CPP (or QPP) benefits:

- If you take your CPP/QPP entitlement earlier, at age 60, you will receive 36 per cent less each year permanently than if you wait until you're 65.
- If you wait until 70 to collect CPP/QPP, the annual pension will increase by 42 per cent permanently, relative to taking CPP/QPP at age 65. There is a small death benefit subject to eligibility of up to \$2,500 regardless of whether you take CPP/QPP early or late.
- You can receive your CPP/QPP as early as age 60 without retiring, which will allow you to supplement your income as you transition into retirement, but will have tax implications.

Every situation is unique and the above should not be taken as individual advice. If you are uncertain of your circumstance, it is best to consult your situation with a qualified financial advisor.

MARKET REVIEW

Canadian Equities

- Canadian equities were up this quarter, gaining 5.45%.
- The health care, technology, consumer staples and consumer discretionary sectors all had positive returns, higher than the overall index this quarter after having negative returns the previous quarter.
- The industrials, energy and financials sectors all contributed positively to this quarter's performance.
- The utilities and telecommunications sectors had positive returns for the quarter but dragged down overall index performance. The materials sector was the only sector with a negative return for the quarter.

International Equities

- World markets, represented by the MSCI World Index (C\$), and the U.S. market represented by the S&P 500 (C\$) were up 6.25% and 4.71% respectively for the quarter.
- The MSCI EAFE Index (C\$) was up 7.78% for the quarter.
- The MSCI Emerging Markets (C\$) Index also performed

relatively well, and was up 10.46% at the end of the quarter.

- Global equities and Emerging Market equities generated positive local currency returns for the quarter. Global monetary policy has been very accommodative which has helped global equity and Emerging Market returns.

Canadian Fixed Income

- The gap between Canadian and U.S. interest rates increased this quarter, as Canadian rates fell 2 basis points while U.S. rates increased by 12 basis points.
- The Bank of Canada left its overnight rate unchanged at 0.50% during the third quarter to accommodate for the weaker than expected growth globally.
- The FTSE TMX Canada Universe Bond Index was up 1.19% for the quarter.
- Corporate, Provincial and Municipal bonds outperformed the index for the quarter while Federal bonds underperformed.



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, 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 Funds

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.

Letko Brosseau Total Portfolio — Invests in the Letko Brosseau RSP Balanced and RSP Equity funds. Equity portfolios typically consist of 80 to 120 companies diversified by sector, geography, and individual security. The process is driven by security selection. In fixed income the emphasis is on high quality bonds that meet the objectives of stability and income. Turnover on fixed income is approximately 10% per year.

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 Fund

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.

International Equity Fund

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

Fixed Income Fund

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.



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.

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

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Period Ending September 30, 2016

	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	10.1	9.6	10.9	7.0
<i>Benchmark</i>	<i>9.7</i>	<i>9.4</i>	<i>9.3</i>	<i>5.9</i>
Lakehead Short Term Account*	0.8	1.0	1.1	n/a
<i>Benchmark</i>	<i>0.5</i>	<i>0.7</i>	<i>0.8</i>	<i>n/a</i>

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.