

# RETIREMENT PLAN REVIEW

## Retirement - Are You On Track?

In the Q4 2012 *Retirement Plan Review*, we discussed the importance of having a retirement plan, saving for retirement, and figuring out the 'Price of Retirement' as your savings target. Ultimately, you can plan all you want, but if you're not saving, the best investment performance and retirement planning still will not get you to where you need to go.

The table below provides a rough guide to help you gauge if you are on track. These targets are based on a number of assumptions which may or may not apply to your particular situation, but they give you a general guideline to follow. So how do you know if you are on track to get there? Remember that these amounts will come from a combination of contributions and investment earnings over time. The more you contribute earlier in life, the less you need to rely on investment growth. Notice that the amount grows faster as you get older. That is because the power of compounding becomes more significant the longer the funds are invested and with larger account balances.

Current Age	Estimated "On Target" Retirement Savings
35	1 x Salary
45	2 x Salary
51	3 x Salary
55	4 x Salary
58	5 x Salary
61	6 x Salary
63	7 x Salary
65	8 x Salary

The table assumes that you are earning about \$50,000 in today's dollars throughout your career and therefore the Canada/Quebec Pension Plan would replace about 25% of your income. However, if you only have partial years of service in Canada, you would expect to collect less C/QPP and therefore would need to have more savings. The same goes for Old Age Security. It is best to verify your own eligibility with Service Canada. Similarly, C/QPP are only designed to replace 25% of your income up to a specified level of income, which is currently about \$50,000. So, if your earnings are above that level, C/QPP will account for a lower portion of your retirement income. In addition, OAS payments begin to be clawed back for higher income retirees above \$70,000. Therefore, you would need to have saved a higher multiple of your salary in order to maintain your standard of living through retirement. In fact, if your income at retirement is \$100,000, you will likely need closer to 11 times your salary.



Seeing numbers like \$500,000 or \$1,000,000 can be overwhelming and quite frankly discouraging to many people. The earlier in your career you start saving, the longer you have to accumulate and allow the money to grow through investments. Therefore, you can save less of your earnings early as opposed to playing catch-up and saving a greater proportion later on. Ensuring that you are taking full advantage of your company retirement savings plans is a huge step towards keeping you "on track".

### NEWSLETTERS ON-LINE!

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

The website is [secure.proteusperformance.com/member](http://secure.proteusperformance.com/member) User ID: **Lakehead** Password: **learning**

## Ready to Retire?

Under the Canada Pension Plan (Quebec Pension Plan in Quebec), the normal age of retirement is 65. This is when you are eligible to receive the full pension that you qualify for based on your years of participation and level of contributions into the plan. However, you are eligible to begin receiving a pension as early as age 60. In exchange for the early pension, the payments are permanently reduced by about 6.5% for each year before age 65.

People often wonder if they should begin their CPP/QPP pension early at the reduced rate. For most people, the answer is likely yes. Here are a few things to consider:

1) While you will receive a reduced amount, you will collect it for a longer period of time. With the current reduction, starting your CPP at age 60 puts you ahead until age 75. After age 75, the benefit of the additional 5 years of payments is more than offset by the reduced payments for the rest of your life.



2) C/QPP does not provide any repayment of your contributions should something happen to you. While there is a small death benefit (up to \$2500) and some survivor's pension for your spouse, whatever contributions you have made into the plan are foregone.

3) Beginning in 2012, you can now receive your CPP as early as age 60 without stopping work (effective January 1, 2014 for QPP). While it is important to remember that C/QPP payments are taxable, this may allow an opportunity to supplement your income as you transition into retirement.

As always, every situation is unique and the above is not intended as and should not be taken as individual advice. If you are uncertain about your circumstances, it is best to consult with a qualified financial advisor.

Do you have a retirement topic for a future edition?  
[retirement@proteusperformance.com](mailto:retirement@proteusperformance.com)

## Market Review

Canadian stocks were up 3.3% during the first quarter as intervention by global central banks continued to stimulate markets. Gains were led by the health care, telecom services and consumer related sectors. The materials and utilities sectors were the worst performers as Canadian mining stocks are experiencing the longest slump in 20 years. Large-cap stocks continued to outperform their small-cap counterparts.

Global stocks were also positive and outpaced the Canadian market with the MSCI World Index returning 10.1% in Canadian dollars (\$C). News of the European Central Bank's and the Bank of Japan's commitment to providing further funding to the market spurred on the rally. Emerging

markets held their value but significantly underperformed developed markets. U.S. equities increased 12.9% due to better than expected income and consumption data. The weakening of the Canadian dollar versus the U.S. dollar added to U.S. market performance.



Fixed income posted positive returns with the DEX Universe Bond Index increasing by 0.7%. The federal and provincial sectors underperformed the overall Index. The corporate sector outperformed the DEX Universe Bond Index. The Bank of

Canada maintained its overnight rate at 1.0%, while the U.S. Federal Reserve left the Fed Funds Rate target unchanged at 0-0.25%.

## 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

*Advisory Research American Small Cap Value* — Focuses on value-oriented companies with market capitalizations within the range of the Russell 2000 Value Index at time of purchase. Bottom up stock selection is utilized.

#### 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.

## Lakehead's Investment Structure and Managers



# Investment Strategy

## Long Term Investing

Capital Markets are unpredictable over short time periods, making attempts to shift between asset classes and 'time the market' difficult for even professional investors. Because of short-term volatility, a well diversified portfolio and a long time horizon generally offer the best protection from fluctuating markets.

A long term investor typically does not focus on poor performance in any given year. Instead, they review their strategy and consider whether the investment still fits with their long term objectives. If you are a long way from retirement, a mix of stocks and bonds may be prudent. If you are close to retirement, a more conservative investment approach may be appropriate as there is less time to recover investment losses. If you are unsure of the best strategy for you, you should seek independent professional advice before making your investment decisions.



## Performance Summary

Period Ending March 31, 2013				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	11.6	7.7	11.4	8.4
<i>Benchmark</i>	<i>7.9</i>	<i>6.9</i>	<i>10.3</i>	<i>7.4</i>
Lakehead Short Term Account	1.3	n/a	n/a	n/a
<i>Benchmark</i>	<i>1.0</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

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

\*Performance shown is for the underlying pooled fund.

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## 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.