

RETIREMENT PLAN REVIEW



Investment Governance: Know What You Have

Reviewing your investment mix periodically to understand what's in your portfolio is an important step in personal governance.

Your retirement income program likely includes one or more of the following: target date funds, asset allocation funds and/or balanced funds. When joining a retirement program, these are often presented as “set it and forget it” fund options, as they include a mix of Canadian equity, foreign equity and bonds. Many people choose these options and don't end up looking at their asset mix for years, however, it's important to have a basic understanding of their composition to ensure you are comfortable with the equity exposure in your portfolio.

Balanced funds will almost always have an equal weight of equity and bonds. Asset allocation funds also have a set mix of equity and bond investments but the level of equity for conservative asset allocation funds can be as low as one quarter of the fund and aggressive asset allocation funds can be almost entirely invested in equity. Understanding the level of equity for each fund will enable you to determine if the choices you initially selected are still appropriate for your retirement objectives.

Target date funds also contain Canadian equities, foreign equities and bonds, but unlike balanced and asset allocation funds the level of equity declines over the life of the fund. A fund that has a maturity date of 2050 may have close to 90 per cent in equity while one dated 2020 might just have 35 per cent in equity. Understanding how target date funds operate in terms of equity levels is important to periodically ensure you are comfortable with the level of market risk you have assumed.

You can easily determine the equity level of your funds by reviewing the quarterly fund fact pages online. Likewise, you can call your program's record-keeper and ask how much equity is in your investment account and inquire whether it is appropriate for your long-term savings objectives.

Equities are the driver for long-term asset growth but it is important to know how much you have.

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?



Behavioural issues to consider when investing in retirement

Interesting research by the U.S. National Institute on Aging and the Social Security Administration found the actual amount people spend in retirement is only loosely related to retirement savings. The gap in wealth of different retirees was not found to reflect proportionate differences in spending and it was hypothesized people have a difficult time spending money out of their nest egg. People find it much easier to spend money from income, such as the guaranteed payout from an annuity.

Annuities guarantee you a stream of income in exchange for your assets and cannot be changed once selected. Annuities can be fixed or linked to inflation and can also be set up with various payout guarantees in the event of death. The security of annuities does, however, come at a cost. Annuities are designed to factor in a profit for the insurance company. Your upfront payment to the insurance company will be mostly invested in bonds. Since interest rates have been declining since the early 1980s, the interest yielded by bonds are at multi-decade lows and therefore, the payout ratio offered on annuities by insurance companies are also low from a historical context. Many would argue that investing your money, rather than buying an annuity, is the smart choice from a financial perspective.

While a retiree may make more money by investing their retirement nest egg, the fear of future losses from the ups and downs of financial markets may make them avoid spending more. For this reason, you may consider buying annuities with a portion of your savings.

It is recommended that you speak with a qualified financial advisor when deciding on how to best generate income for your retirement, considering your specific circumstances.

MARKET REVIEW

Canadian Equities

- Canadian equities were up this quarter, gaining 2.4%.
- The utilities, consumer discretionary and information technology sectors led the S&P/TSX Composite Index this quarter.
- The energy and health care sectors were the only components within Canadian equities that had negative returns. The health care sector was the largest detractor to the Index for the second quarter in a row.

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 5.9% and 5.2% respectively for the quarter.
- The MSCI EAFE Index (C\$) was up 6.8% for the quarter.
- The MSCI Emerging Markets (C\$) Index was also up for the quarter, achieving a return of 10.9%.
- Global equities and Emerging Market equities generated positive local currency returns for the

quarter. Global monetary policy has continued to be accommodative, aiding global equity and Emerging Market returns.

Canadian Fixed Income

- The gap between Canadian and U.S. interest rates widened this quarter, as Canadian rates decreased by approximately three basis points across the curve and nine basis points for 10-year government of Canada bonds. U.S. rates remained relatively unchanged.
- The Bank of Canada left its overnight rate unchanged at 0.50% during the first quarter.
- The Federal Open Market Committee hiked the federal funds target rate by 0.25% based on improving labour markets and increasing inflation.
- The FTSE TMX Canada Universe Bond Index was up 1.2% 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.

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.

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.

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 March 31, 2017				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	14.6	7.7	10.2	7.0
<i>Benchmark</i>	<i>11.5</i>	<i>7.2</i>	<i>8.8</i>	<i>5.5</i>
Lakehead Short Term Account*	0.8	1.0	1.0	n/a
<i>Benchmark</i>	<i>0.5</i>	<i>0.6</i>	<i>0.7</i>	<i>1.3</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.