



Lakehead
UNIVERSITY

retirement

PLAN REVIEW

Spring/Summer 2019

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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, 2019				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	4.4	7.5	5.1	9.4
<i>Benchmark</i>	<i>7.2</i>	<i>7.5</i>	<i>5.1</i>	<i>8.7</i>
Lakehead Short Term Account	1.8	1.2	1.1	n/a
<i>Benchmark</i>	<i>1.5</i>	<i>0.9</i>	<i>0.8</i>	<i>0.8</i>

**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.

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

Letko Brosseau Equity — Invests in the Letko Brosseau RSP Equity fund. Equity portfolios typically consist of 80 to 120

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.

companies diversified by sector, geography, and individual security. The process is driven by security selection.

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 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.

Understanding Risk Tolerance and Investment Horizon

When selecting investments for your retirement portfolio, it's important to first determine how much risk is appropriate; or what's known as your risk tolerance. Your investment time horizon (or years to retirement) should play a key part in determining your risk tolerance. Shorter investment horizons allow less time to make up portfolio losses. Most investors' financial ability and willingness to accept risk decreases over their investment time horizon. However, many do not amend their investment choices accordingly.

There is no universal definition of "long-term" or "short-term" investment horizons. Rather, these periods can be conceptualized on more of a relative basis. In many planning contexts, time horizons greater than 15 to 20 years can generally be viewed as longer-term, and horizons of less than three years as shorter-term.

Portfolio risk throughout your investment horizon can be managed through the asset allocation process, which is the decision around how much to allocate to equities or stocks versus how much to allocate to bonds or safe short-term investments. A higher weighting to equities generally increases portfolio risk as they have a higher probability of experiencing larger gains and losses relative to

bonds. Some funds have a mix of equities and bonds – it's your responsibility to ensure the mix is appropriate for you. A general rule (all else equal) is to reduce the level of risk in your portfolio as your time horizon shrinks, but this is unique to each individual.

Prior to selecting an asset mix, it's important to understand your comfort level with risk or volatility (up and down swings in the value of your investments) and periodically consult a financial advisor to ensure the continued fit of your investment mix. To help you figure out your comfort level with risk, based on your own circumstances, you can use the online tools provided on your plan administrator's website.

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 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 outperformed during the first quarter of 2019, with the S&P/TSX Composite returning 13.3%.
- This was the best performing quarter for Canadian equities since the second quarter of 2009.
- The energy, industrials, and financials sectors all yielded double digit returns; these 3 sectors make up 61% of the S&P/TSX Composite.

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 10.2% and 11.2% respectively for the quarter.

- The MSCI EAFE Index (C\$) was up 7.7% for the quarter.
- The MSCI Emerging Markets (C\$) Index also rose this quarter, returning 7.6%.

Fixed Income

- The Bank of Canada maintained its key interest rate of 1.75% during the first quarter of 2019.
- The U.S. Federal Reserve also left the Federal Funds rate unchanged at the targeted range of 2.25% - 2.50%.
- The FTSE TMX Canada Universe Bond Index was up 3.9% for the quarter.

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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