

Lakehead University
Pension Investment Fund
Financial Statements
For the year ended December 31, 2022

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Net Assets Available for Benefits	4
Statement of Changes in Net Assets Available for Benefits	5
Notes to Financial Statements	6
Schedule 1 - Market Value and Cost of Investments by Type	20
Schedule 2 - Market Value and Cost of Investments by Investment Manager	21

Independent Auditor's Report

To the Administrator of Lakehead University Pension Investment Fund

Opinion

We have audited the fund financial statements of Lakehead University Pension Investment Fund (the fund financial statements) which comprise of the statement of net assets available for benefits as at December 31, 2022 and the statement of changes in net assets available for benefits for the year then ended, and notes to the fund financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying fund financial statements present fairly, in all material respects, the net assets available for benefits of Lakehead University Pension Investment Fund as at December 31, 2022, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act of Ontario.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Fund Financial Statements* section of our report. We are independent of Lakehead University Pension Investment Fund in accordance with the ethical requirements that are relevant to our audit of the fund financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the fund financial statements, which describes the basis of accounting. The fund financial statements are prepared to assist the Administrator of the Fund to meet the requirements of the Financial Services Regulatory Authority. As a result, the fund financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Administrator of the Fund and the Financial Services Regulatory Authority and should not be used by parties other than the Administrator of the Fund or the Financial Services Regulatory Authority.

Responsibilities of Management and Those Charged with Governance for the Fund Financial Statements

Management is responsible for the preparation and fair presentation of the fund financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 of the Pension Benefits Act of Ontario, and for such internal control as management determines is necessary to enable the preparation of fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the fund financial statements, management is responsible for assessing Lakehead University Pension Investment Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Lakehead University Pension Investment Fund or to cease operations, or has no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing Lakehead University Pension Investment Fund's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Fund Financial Statements

Our objectives are to obtain reasonable assurance about whether the fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these fund financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the fund financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakehead University Pension Investment Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Lakehead University Pension Investment Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Lakehead University Pension Investment Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the fund financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
June 7, 2023

Lakehead University Pension Investment Fund Statement of Net Assets Available for Benefit

December 31 (in thousands of dollars)	2022			2021		
	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total
Assets						
Cash and cash equivalents	\$ 1,211	\$ 213	\$ 1,424	\$ 521	\$ 91	\$ 612
Investments, at market value (Note 3, Schedules 1 and 2) (cost 2022 - \$189,982; cost 2021 - \$193,162)	185,131	32,619	217,750	211,861	36,977	248,838
HST receivable	15	3	18	14	3	17
Sponsor's contributions receivable	-	-	-	745	105	850
Employees' contributions receivable	-	-	-	391	139	530
	<u>186,357</u>	<u>32,835</u>	<u>219,192</u>	<u>213,532</u>	<u>37,315</u>	<u>250,847</u>
Liabilities						
Accounts payable (Note 4)	387	68	455	300	52	352
Net assets available for benefits	<u>\$ 185,970</u>	<u>\$ 32,767</u>	<u>\$ 218,737</u>	<u>\$ 213,232</u>	<u>\$ 37,263</u>	<u>\$ 250,495</u>

On behalf of the Administrator

The accompanying notes are an integral part of these fund financial statements.

Lakehead University Pension Investment Fund Statement of Changes in Net Assets Available for Benefits

For the year ended December 31 (in thousands of dollars)	2022			2021		
	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total
Increase in assets						
Investment income	\$ 4,293	\$ 756	\$ 5,049	\$ 3,798	\$ 663	\$ 4,461
Net realized gains on investments	1,748	308	2,056	11,391	1,988	13,379
Net unrealized change in market value of investments	(23,988)	(3,842)	(27,830)	12,180	2,320	14,500
Other cash receipts - pension transfers (Note 6)	190	0	190	9	15	24
Contributions (Note 7) - employees	4,805	1,482	6,287	4,861	1,529	6,390
- sponsor	8,090	1,137	9,227	7,452	913	8,365
	(4,862)	(159)	(5,021)	39,691	7,428	47,119
Decrease in assets						
Administration and professional fees (Note 8)	1,227	216	1,443	1,165	207	1,372
Pension benefits and refunds (Note 9)	21,857	3,437	25,294	23,320	1,824	25,144
	23,084	3,653	26,737	24,485	2,031	26,516
Increase in net assets available for benefits	(27,946)	(3,812)	(31,758)	15,206	5,397	20,603
Net assets available for benefits, beginning of year	213,232	37,263	250,495	197,726	32,166	229,892
Interfund Pension Transfers (Note 6)	684	(684)	-	300	(300)	-
Net assets available for benefits, end of year	\$ 185,970	\$ 32,767	\$ 218,737	\$ 213,232	\$ 37,263	\$ 250,495

The accompanying notes are an integral part of these fund financial statements.

Lakehead University Pension Investment Fund

Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

1. Description of Plans

The Lakehead University Pension Investment Fund ("the Fund") consists of two plans. The following description of the Professional and Administrative Staff Plan ("PP") and the Lakehead University Employee Pension Plan ("LUEPP") is a summary only. For more complete information, reference should be made to the Plan Agreements.

The Fund consists of 100% ownership of a Master Trust and a segregated short term account, the assets of which are held by Northern Trust. Addenda Capital, Fiera Capital Corporation, Dimensional Fund Advisors Canada ULC, Jarislowsky Fraser Limited, Burgundy Asset Management Ltd., T. Rowe Price Inc., Crestpoint Real Estate Investments Ltd., and State Street Global Advisors act as managers for the Fund and have discretionary investment authority. As of December 31, 2022, the LUEPP held 390,918.73 units or 15.06%, and the Professional Plan held 2,204,118.54 units or 84.94%, of a total of 2,595,037.27 units of the Master Trust.

The Fund is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

Professional and Administrative Staff Plan

The Plan is a contributory defined contribution pension plan. The Plan also provides for a defined benefit guarantee for service prior to January 1, 1997. Under the Plan, contributions of 6.5% (2021 - 6.5%) of earnings were made by faculty and librarians and 8.05% (2021 - 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2021 - 8.05%) of earnings were made by employees and 8.05% (2021 - 8.05%) by the Plan sponsor.

Lakehead University Employee Pension Plan

The Plan is a contributory defined contribution pension plan. Under the Plan, employees contribute 7.9% (2021 - 7.9%) of their earnings except for contracted employees who contribute 7.15% (2021 - 7.15%) of their earnings. The Plan sponsor matches employee contributions. For contract lecturers, contributions of 6.5% (2021 - 6.5%) of earnings are made by employees and 7.9% (2021 - 7.9%) by the Plan sponsor.

Lakehead University Pension Investment Fund

Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

2. Significant Accounting Policies

Basis of Presentation

These fund financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Regulatory Authority ("FSRA") for financial statements under Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. These regulations require pension plans to adhere to the provisions of *Section 4600 - Pension Plans in Part IV - Accounting Standards for Pension Plans* of the CPA Canada Handbook although they permit the exclusion of the actuarial liabilities of the Plan. Consequently, these fund financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations. These fund financial statements have been prepared to assist in meeting the requirements of FSRA. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply Canadian accounting standards for private enterprises.

These Significant Accounting Policies are intended solely for the Administrator of the Fund and FSRA and should not be used by parties other than the Administrator of the Fund or FSRA.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and term deposits with maturity dates of less than 90 days from the date that they were acquired.

Investments

Investments are stated at fair value which is based on closing quoted market prices. Investments are recorded on a trade date basis. The fair value of units in the Master Trust represents the fair value of the underlying assets. Investments in pooled funds are valued using unit prices provided by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

The investment income recognized is the increase or decrease in the value of the pooled funds. Dividends and interest are reinvested within the pooled funds. Distributions from pooled funds are recorded when declared by the pooled fund managers.

The realized gain (loss) on investments is determined by the excess (shortfall) of proceeds over average cost of investments sold.

The fair value adjustments represent the unrealized appreciation (depreciation) in fair value of investments held at the year-end less the related unrealized appreciation (depreciation) as at the previous year-end.

Real estate investments are held through limited partnerships. The fair values of real estate funds are based on the net asset values reported in their respective financial statements. Fair values of the underlying real estate assets are based on the external manager or third party appraisals of the real estate properties.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

2. Significant Accounting Policies (cont'd)

Use of Estimates

The preparation of fund financial statements in accordance with the accounting principles described in the significant accounting policies requires the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Fund administrator's best estimates as additional information becomes available in the future.

Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

Pension Benefits

The Fund provides pension payments on death and/or retirement to eligible members and their spouses based on contributions and gains accrued during their employment at Lakehead University. Pension benefits are shown as expenditures in the year of payment.

Contributions

Employee and employer contributions due to the Fund as at the end of the year are recorded on an accrual basis. The Plans further allow Additional Voluntary Contributions (AVC), subject to the Money Purchase Limit imposed by Canada Revenue Agency. AVC's are recorded as employee contributions.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

3. Investments

	2022		2021	
	Market Value	Cost	Market Value	Cost
Canadian equities	\$ 20,317	\$ 14,789	\$ 25,574	\$ 18,676
Canadian denominated unit trust equities	53,617	60,056	64,209	57,953
US denominated unit trust equities	68,700	32,397	74,621	31,288
Canadian denominated unit trust bonds	64,624	72,687	78,897	79,708
Real estate	9,199	8,760	2,677	2,677
Accrued income	30	30	44	44
Unit trust money market fund	1,263	1,263	2,816	2,816
	<u>\$ 217,750</u>	<u>\$ 189,982</u>	<u>\$ 248,838</u>	<u>\$ 193,162</u>

Broken down by Plan:

Professional and Administrative Staff Plan	\$ 185,131	\$ 161,522	\$ 211,861	\$ 164,458
Employee Pension Plan	32,619	28,460	36,977	28,704
	<u>\$ 217,750</u>	<u>\$ 189,982</u>	<u>\$ 248,838</u>	<u>\$ 193,162</u>

The Professional and Administrative Staff Plan held 85.02% and the Employee Pension Plan held 14.98% of total assets.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

3. Investments (cont'd)

Individually significant investments

The cost or market value of the following investments exceeds 1% of the cost or market value of total pension fund investments at December 31, 2022:

	2022 Market Value	2022 Cost
Canadian Equity Fund		
Jarislowsky Fraser Investments - Equity Fund (1)	\$26,923	\$28,642
Bond Fund		
Addenda Capital - Bond Fund (2)	18,366	21,873
Addenda Capital - Commercial Mortgage Fund (2)	25,199	26,091
Jarislowsky Fraser Investments - Bond Fund (1)	21,059	24,723
Foreign Equity Fund		
State Street Global Advisors - Global Equity Fund (3)	44,246	12,250
Dimensional Fund Advisors - International Small Cap (4)	24,454	20,147
Burgundy - Global Equity Value Fund - Ex-Canada (5)	14,925	15,555
T. Rowe Price - Global Equity Growth Fund (6)	11,769	15,859
Miscellaneous - Other		
Jarislowsky Fraser Investments - Short Term Investments (1)	1,263	1,263
Fiera Capital Corporation - Canadian Common Stocks (7)	20,347	14,819
Crestpoint - Canadian Real Estate (8)	9,199	8,760
	\$217,750	\$189,982

- (1) Jarislowsky Fraser investments are pooled funds administered by Jarislowsky Fraser Limited.
- (2) Addenda Capital investments are a pooled fund administered by Addenda Capital.
- (3) State Street Global Advisors investments are a pooled fund administered by State Street Global Advisors, Ltd.
- (4) Dimensional Fund investments are pooled funds administered by Dimensional Fund Advisors Canada ULC
- (5) Burgundy investments are pooled funds administered by Burgundy Asset Management Inc.
- (6) T. Rowe Price investments are pooled funds administered by T. Rowe Price Inc.
- (7) Fiera Capital Corporation investments are common stocks administered by Fiera Capital Corporation (formerly CGOV Asset Management)
- (8) Crestpoint investments are a real estate investment administered by Crestpoint Real Estate Investments Ltd.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

4. Accounts Payable

	2022	2021
Investment Management		
Addenda Capital	\$ 37	\$ 41
Fiera Capital Corporation	22	26
Crestpoint	27	-
Jarislowsky Fraser Limited	31	36
State Street Global Advisors, Ltd.	12	14
Burgundy	31	35
T. Rowe Price	44	29
Other		
BDO Canada LLP - Audit	14	11
Eckler Ltd. - Actuarial	39	17
Eckler Ltd. - Consulting	68	27
Proteus - Investment Advisors	28	29
Northern Trust - Custodial Services	41	13
Lakehead University	61	74
	\$ 455	\$ 352

5. Actuarial Valuation

In the event that an actuarial valuation discloses a going concern unfunded liability or a solvency deficiency as defined by the Pension Benefits Act (1987), the University will be obligated to make additional contributions as required by the Act. The most recent actuarial valuation of the Fund at December 31, 2021, reported that based on then current provisions, the Fund had a going concern unfunded liability of \$10,786 and a solvency deficiency of \$5,695, and that additional University contributions would be required upon filing. The University made special payments of \$2,720,400 in 2022 and is scheduled to make annual special payments of \$1,488,600 in 2023 and each year after until the next scheduled actuarial valuation.

6. Pension Transfers

Pension transfers into the Lakehead University Plans were \$190 (2021 - \$24).

Transfers between the Lakehead University Employee Pension Plan and the Professional and Administrative Staff Plan were \$684 (2021 - \$300). Funds are transferred for members of the Lakehead University Employee Pension Plan that transfer to the Professional and Administrative Staff Plan when changing benefit classification effective January 1 of each year.

Lakehead University Pension Investment Fund
Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

7. Contributions

	Professional Plan 2022	LUEPP 2022	Total 2022	Professional Plan 2021	LUEPP 2021	Total 2021
Employee						
Current Service Contributions	\$ 4,805	\$ 1,482	\$ 6,287	\$ 4,861	\$ 1,529	\$ 6,390
Sponsor						
Current Service Contributions	5,370	1,137	6,507	4,649	913	5,562
Going Concern and Solvency Special Payments	2,720	-	2,720	2,803	-	2,803
	<u>8,090</u>	<u>1,137</u>	<u>9,227</u>	<u>7,452</u>	<u>913</u>	<u>8,365</u>
	<u>\$ 12,895</u>	<u>\$ 2,619</u>	<u>\$ 15,514</u>	<u>\$ 12,313</u>	<u>\$ 2,442</u>	<u>\$ 14,755</u>

As of December 31, 2022 no required contributions were past due.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

8. Administrative Expenses and Professional Fees

	2022	2021
Investment management fees	\$ 732	\$ 673
Actuarial fees	174	247
Investment counselling	116	121
Audit fees	17	11
Consulting fees	255	150
Custodial service fees	56	54
Other - Pension Commission	18	18
Administration	95	113
Goods and services tax rebate	(20)	(15)
	\$ 1,443	\$ 1,372

9. Pension Benefits and Refunds

	2022	2021
Pension benefits	\$ 7,048	\$ 16,270
Refunds (deaths, terminations, resignations and retirements)	18,246	8,874
	\$ 25,294	\$ 25,144

10. Related Party Transactions

The Fund does not hold any securities of the employer sponsor or its related parties.

11. Income Taxes

The Fund is not subject to income tax since it is a Registered Pension Trust as defined by the Income Tax Act (Canada).

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

12. Financial Instruments

The objective of the Fund is to maximize the long-term return for its defined contribution members, balanced with the relative preservation of capital, followed by capital growth in its Retirement Account. The Fund's investment policy is established by the Board of Governors and is set out in the statement of investment policies and procedures ("SIPP"). The SIPP was last amended June 5, 2020 with primarily administrative updates, and one non-trivial update. The update was a change to the asset allocation targets of the funds, allowing up to 7% investment in real estate, increasing the target for global equities by 10%, lowering the target for Canadian bonds by 7%, and lowering the target for Canadian equity by 10%.

The SIPP permits cash and cash equivalents, and fixed income investments in: bonds, debentures, coupons and residuals, mortgage and mortgage backed securities, asset-backed securities and preferred shares. It additionally permits equity investments in: publicly traded common stocks; rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks; income trust units issued and/or registered in jurisdictions where appropriate legislation is in place to limit the liability of unitholders; American Depositary Receipts; and Global Depositary Receipts. Investments in alternative strategies that are permitted include: private equity, real estate, and hedge funds. The SIPP outlines an asset allocation target of:

Asset Class	Permissible Range	Actual Fund Allocation
Canadian Money Market	0-20%	1%
Canadian Fixed Income	23-50%	30%
Canadian Equities	10-30%	22%
Global Equities	30-50%	43%
Alternative Assets	0-12%	4%

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

12. Financial Instruments (cont'd)

The Fund is in compliance with the SIPP's allowable asset allocation, as at December 31, 2022.

The Plan's investment performance is expected to:

- a) exceed the investment performance of the benchmark index over rolling 4-year periods; or
- b) rank in the top 50% of comparable portfolios over rolling 4-year period in terms of return.

The performance of the investment manager(s) relative to an appropriate benchmark and/or peer group over 4-year periods will be evaluated quarterly. The performance of individual asset classes is expected to:

- a) exceed the return of their corresponding benchmark indices by an average of 0.5%; or
- b) rank in the top 50% of the appropriate investment manager performance measurement universes over rolling 4-year periods in terms of return.

In 2022, the Fund had a one year rate of return of -8.5% and a four year return of 6.0%, measured against a one year benchmark of -9.6% and a four year benchmark of 6.6%.

The carrying value of cash and cash equivalents, sponsor's and employees' contributions receivable, and accounts payable approximates their fair value because of their short-term nature.

Risks arising from financial instruments:

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's financial position and revenue. This risk arises from the Fund's investments whose returns are linked to interest rates. The Plan invests in pooled funds that may hold debt instruments linked to interest rates. This risk has not changed from the prior year.

Foreign Currency Risk

Foreign currency exposure arises from the Fund's holdings of foreign equity or debt instruments. The Fund invests in pooled funds that may hold debt or equity instruments denominated in a foreign currency and as such would be exposed to fluctuations in currency risks. All of the Fund's investments are denominated in Canadian or US Dollars. US Dollar investments are translated into Canadian Dollars at the market rate at the end of the fiscal period. Investments denominated in foreign currencies are noted on the Schedule of Cost and Market Value of Investments by type (Schedule 1). An increase or decrease of 5% in the US exchange rate would result in an increase or decrease of net assets available for benefits of \$3,435. This risk has not changed from the prior year.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

12. Financial Instruments (cont'd)

Market Risk

Concentrations of market risk exist when a significant portion of the portfolio is invested in securities with similar characteristics and/or similar economic, political or other conditions that may prevail. The Fund Administrator believes that the investments in which the Fund invests spreads the market risk over different market sectors. The Fund Administrator uses a variety of investment management companies to ensure the portfolio is balanced to help mitigate market risk. An increase or decrease of 10% of the Fund's investment portfolio would result in an increase or decrease of net assets available for benefits of \$21,775.

An increase or decrease of 10% in the portion of the portfolio invested in Canadian Equities would result in an increase or decrease of net assets available for benefits of \$4,727.

An increase or decrease of 10% in the portion of the portfolio invested in Foreign Equities would result in an increase or decrease of net assets available for benefits of \$9,539.

This risk has not changed from the prior year.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Fund. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. The Fund also has credit risk to the extent that contributions receivable are not collectible. The Fund manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

The Administrator has put in place a Statement of Investment Policies and Procedures that contains a set of guidelines for the fixed income portfolio to limit single issuer exposure.

The Fund's most significant credit risk exposure arises from its investments in interest bearing investments. While the Fund may have credit risk exposure to bonds and commercial mortgages, it manages this risk by holding such investments in pooled funds, as described in Note 3. The pooled funds represent 30% (2021 - 32%) of the total investments.

This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely and cost effective manner. Liquidity requirements are managed through income generated from investments, monthly contributions made by employers, and by investing in publicly traded liquid assets that are easily sold and converted to cash. The Fund's investments in real estate may be exposed to a higher degree of liquidity risk. This risk has not changed from the prior year.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

12. Financial Instruments (cont'd)

Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:

For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2:

For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3:

For securities valued based on inputs that are based on unobservable market data.

The following tables present the Fund's financial investments evaluated at fair value as at December 31st, classified according to the fair value hierarchy described above:

	Level 1	Level 2	Level 3	2022 Total
<i>Canadian</i>				
Cash and cash equivalents	\$ -	\$ 1,263	-	\$ 1,263
Equities - Common Stock	20,347	-	-	20,347
Unit Trusts - Bonds and debentures	-	64,624	-	64,624
Unit Trusts - Equities	-	26,924	-	26,924
Real Estate	-	-	9,199	9,199
<i>Foreign</i>				
Unit Trusts - Equities	-	95,393	-	95,393
	<u>\$ 20,347</u>	<u>\$ 188,204</u>	<u>\$ 9,199</u>	<u>\$ 217,750</u>

	Level 1	Level 2	Level 3	2021 Total
<i>Canadian</i>				
Cash and cash equivalents	\$ -	\$ 2,816	-	\$ 2,816
Equities - Common Stock	25,618	-	-	25,618
Unit Trusts - Bonds and debentures	-	78,897	-	78,897
Unit Trusts - Equities	-	31,994	-	31,994
Real Estate	-	-	2,677	2,677
<i>Foreign</i>				
Unit Trusts - Equities	-	106,836	-	106,836
	<u>\$ 25,618</u>	<u>\$ 220,543</u>	<u>\$ 2,677</u>	<u>\$ 248,838</u>

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

12. Financial Instruments (cont'd)

The following is an analysis of the investments of the Fund using the hierarchy related to the inputs to fair value measurement.

Level 1

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable quote is observable. US partnerships are classified as Level 1 when they are held in a pooled fund and a reliable quote is observable. Cash, short-term notes and treasury bills are classified as Level 1. These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates market value.

Level 2

These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates market value. The Fund classified unit trusts as Level 2.

Level 3

These instruments are not based on observable market data. The Fund classified real estate as Level 3. The following table presents a reconciliation of Level 3 investments measured at fair value using unobservable inputs during the year.

	2022	2021
Balance, beginning of year	\$ 2,677	\$ -
Purchases	5,881	2,677
Reinvested distributions	202	-
Unrealized fair value adjustments	439	-
	\$ 9,199	\$ 2,677

As at December 31, 2022 the Fund's investments are Level 1, 2 and 3 within the fair value hierarchy. There were no transfers between levels during the years ended December 31, 2022 and 2021.

13. Capital Management

The Administrator defines the Fund's capital as its net assets available for benefits. The Fund's objective when managing its capital is to safeguard its ability to provide benefits to members, as further described in Note 12. The Fund's assets are invested in accordance with its Statement of Investment Policies and Procedures, which includes the asset mix recommended by the Fund's investment consultant, and which is projected to enable the Fund to meet or exceed its ongoing and long-term funding requirements within an acceptable level of risk. There has not been any change in what the Fund considers to be capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

Lakehead University Pension Investment Fund Notes to Fund Financial Statements

December 31, 2022 (in thousands of dollars)

13. Capital Management (cont'd)

The investment managers appointed by the Fund are directed to achieve a long-term rate of return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term objective of the Fund is to achieve a total return such that the Fund can continue to provide the ongoing and projected benefits to its members.

There have been no changes in what the Fund considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes for the year.

14. Subsequent Event

Effective January 1, 2023, one union group has negotiated to join the CAAT DBplus pension plan for future service only. Subsequent to this, two other union groups have negotiated to join CAAT effective June 30, 2023. Additionally, the University has formally announced that all non-union staff will be moving to CAAT for future service only, effective July 1, 2023. This means that all contributions for these 4 groups will be directed to CAAT rather than the Pension Plan for Professional Staff of Lakehead University and the Lakehead University Employee Pension Plan.

Lakehead University Pension Investment Fund

Schedule 1 - Market Value and Cost of Investments by Type

December 31 (in thousands of dollars)	2022		2021	
	Market value	Cost	Market value	Cost
Equities				
Common stock				
Canada - CAD	\$20,317	\$14,789	\$25,574	\$18,676
Unit trust equity				
Canada - CAD	26,924	28,642	31,994	27,545
Foreign - CAD	26,693	31,414	32,215	30,408
Foreign - USD	68,700	32,397	74,621	31,288
Total unit trust equity	122,317	92,453	138,830	89,241
Total equities	142,634	107,242	164,404	107,917
Fixed income				
Unit trust bonds				
Canada - CAD	64,624	72,687	78,897	79,708
Real estate				
Canada - CAD	9,199	8,760	2,677	2,677
	216,457	188,689	245,978	190,302
Unit trust money market fund	1,263	1,263	2,816	2,816
Accrued income	30	30	44	44
Total investments	\$217,750	\$189,982	\$248,838	\$193,162

Lakehead University Pension Investment Fund
Schedule 2 - Market Value and Cost of Investments
by Investment Manager

December 31 (in thousands of dollars)	2022		2021	
	Market Value	Cost	Market Value	Cost
Addenda Capital	\$ 43,565	\$ 47,964	\$ 54,961	\$ 55,383
Fiera Capital Corporation	20,347	14,819	25,618	18,720
Dimensional Fund Advisors Canada ULC	24,454	20,147	24,361	19,030
Burgundy	14,925	15,555	16,724	14,656
Jarislowsky Fraser Limited	49,245	54,628	58,746	54,686
State Street Global Advisors	44,246	12,250	50,260	12,258
T. Rowe Price	11,769	15,859	15,491	15,752
Crestpoint	9,199	8,760	2,677	2,677
	<u>\$ 217,750</u>	<u>\$ 189,982</u>	<u>\$ 248,838</u>	<u>\$ 193,162</u>