

**Lakehead University Pension  
Investment Fund  
Financial Statements  
For the year ended December 31, 2006**

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## Auditors' Report

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### To the Administrator Lakehead University Pension Investment Fund

We have audited the statement of net assets available for benefits of the Lakehead University Pension Investment Fund as at December 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are the responsibility of the Pension Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2006 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Administrator of the Fund and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 to the Pension Benefits Act of the Province of Ontario. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*BDO Dunwoody LLP*

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
July 16, 2007

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

For the year ended December 31	2006	2005
<b>Assets</b>		
Cash	\$ 5,940	\$ 446
Investments, at market value (Note 3) (Schedule) (cost 2006 - \$193,879,764; cost 2005 - \$180,791,052)	232,330,116	208,738,363
GST receivable	46,302	45,959
Sponsor's contributions receivable	376,828	263,834
Employees' contributions receivable	274,747	240,230
	<u>233,033,933</u>	<u>209,288,832</u>
<b>Liabilities</b>		
Accounts payable (Note 4)	323,848	310,783
Deferred pension contribution revenue (Note 5)	1,224,000	-
	<u>1,547,848</u>	<u>310,783</u>
<b>Net assets available for benefits</b>	<b>\$ 231,486,085</b>	<b>\$ 208,978,049</b>

On behalf of the Pension Plan Administrator

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

For the year ended December 31

2006

2005

	Professional Plan (Ontario Registration Number 246058)	Lakehead University Employee Pension Plan (Ontario Registration Number 526921)	Total	Total
<b>Increase in net assets</b>				
Investment income (Note 3)	\$ 14,149,225	\$ 2,655,480	\$ 16,804,705	\$ 14,718,959
Net realized gains on investments	3,009,682	114,465	3,124,147	4,458,270
Net unrealized change in market value of investments	9,291,098	1,254,560	10,545,658	5,437,725
Other cash receipts – pension transfers (Note 6)	462,134	(179,571)	282,563	151,224
	<b>26,912,139</b>	<b>3,844,934</b>	<b>30,757,073</b>	<b>24,766,178</b>
<b>Contributions</b>				
Employees	1,570,094	484,159	2,054,253	1,917,447
Sponsor	1,944,579	454,079	2,398,658	2,217,474
	<b>30,426,812</b>	<b>4,783,172</b>	<b>35,209,984</b>	<b>28,901,099</b>
<b>Total increase in net assets available for benefits</b>				
<b>Decrease in net assets</b>				
Pension benefits and refunds (Note 7)	8,891,813	2,660,678	11,552,491	11,981,227
Security transfers (net)	-	-	-	(174)
Administrative expenses and professional fees (Note 8)	1,023,016	126,441	1,149,457	1,035,720
	<b>9,914,829</b>	<b>2,787,119</b>	<b>12,701,948</b>	<b>13,016,773</b>
<b>Total decrease in net assets available for benefits</b>				
<b>Net increase for the year</b>	<b>20,511,983</b>	<b>1,996,053</b>	<b>22,508,036</b>	<b>15,884,326</b>
Net assets available for benefits, beginning of year	180,984,804	27,993,245	208,978,049	193,093,723
<b>Net assets available for benefits, end of year</b>	<b>\$ 201,496,787</b>	<b>\$ 29,989,298</b>	<b>\$ 231,486,085</b>	<b>\$ 208,978,049</b>

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

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2006

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### 1. Description of Plans

The Lakehead University Pension Investment Fund ("the Fund") has 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 assets of the Fund are held by RBC Dexia Investor Services, Jarislowsky Fraser Limited, Brandes Investment Partners, L.P. and McLean Budden Limited act as managers for the Fund and have discretionary investment authority.

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 provides for a defined benefit guarantee for service prior to January 1, 1997. Under the Plan, contributions of 6.5% (2005 – 6.5%) of earnings, including the contribution requirement for Canada Pension Plan, were made by faculty and librarians and 8.05% (2005 – 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2005 – 8.05%) of earnings including the contribution requirement for Canada Pension Plan, were made by employees and 8.05% (2005 – 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% (7.9% - 2005) of their earnings, including the contribution requirement for Canada Pension Plan, except for United Steelworkers of America employees and contracted employees who contribute 7.5% and 7.15% (2005 – 7.5% and 7.15%), respectively, of their earnings, including the contribution requirement for Canada Pension Plan. The Plan sponsor matches employee contributions.

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### 2. Significant Accounting Policies

#### Basis of Presentation

These 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 Commission of Ontario for financial statements under Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Fund. Consequently, these financial statements do not purport to show the adequacy of the Fund's assets to meet its pension obligations.

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2006

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### 2. Significant Accounting Policies (cont'd)

#### Investments

##### Market Values

All investments are stated at their estimated fair (market) value as at the statement date. Market values are determined as follows using listed market values where available:

- i) Publicly traded bonds, debentures and equities are valued at published mid-market quotations.
- ii) Mortgages, term deposits and guaranteed investment certificates are valued using current market yields.
- iii) Equity investments, including mutual funds and corporate shares, are valued at the closing sales price on the stock exchange where listed, or at the average of the closing bid and ask prices if the security did not trade on the valuation date.

##### Supplementary Amortized Cost Values

Bonds, debentures and mortgages are carried at amortized cost. When there has been a loss in the value of investments that is other than a temporary decline, the investment is written down and the loss is recognized as part of "net realized gains (losses) on investments". Investments in bonds, debentures and corporate shares denominated in foreign currencies are translated to Canadian currency at historical rates of exchange.

##### Investment Income

Dividend income is recognized as of the ex-dividend date. The purchase and sale of securities are recorded on a trade date basis.

Realized gains and losses from security transactions are based on the average cost of the security.

## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2006

### 3. Investments and Investment Income

The cost and market values of investments at December 31, 2006 and 2005 are provided in the attached schedule.

#### Investment income

	<u>2006</u>	<u>2005</u>
Bonds and debentures - Canadian	\$ 3,741,702	\$ 5,046,396
Corporate shares - Canadian	4,884,968	5,419,048
Foreign - Global	8,092,497	4,175,822
Short-term notes and treasury bills	84,814	74,619
Other	724	3,074
	<u>\$ 16,804,705</u>	<u>\$ 14,718,959</u>

#### 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, 2006:

	<u>2006 Cost</u>	<u>2006 Market Value</u>
<b>Canadian Equity Fund</b>		
McLean Budden Investments (1) Equity Growth Fund	\$ 22,310,970	\$ 30,030,998
Jarislowky Fraser Investments (3) Equity Fund	\$ 36,240,853	\$ 61,824,768
<b>Foreign Equity Fund</b>		
Brandes Pooled Investments (2) Global Equity Unit Trust	\$ 60,869,335	\$ 64,886,872

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**Lakehead University Pension Investment Fund**  
**Notes to Financial Statements**

**December 31, 2006**

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**3. Investments and Investment Income (cont'd)**

	<u>2006 Cost</u>	<u>2006 Market Value</u>
<b>Fixed Income Fund</b>		
McLean Budden Investments (1)		
Fixed Income Pool Fund	\$ 26,184,541	\$ 26,619,791
<b>Bond Fund</b>		
Jarislowky Fraser Investments (3)		
Bond Fund	\$ 45,903,196	\$ 46,847,860
<b>Money Market Fund</b>		
McLean Budden Investments (1)		
Pooled Money Market Fund	\$ 2,119,827	\$ 2,119,827

(1) McLean Budden Investments are pooled funds administered by McLean Budden Limited.

(2) Brandes Pooled Investments are pooled funds administered by Brandes Investment Partners, L.P.

(3) Jarislowky Fraser Investments are pooled funds administered by Jarislowky Fraser Limited.



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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2006

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#### 4. Accounts Payable

	2006	2005
Management fees	\$ 316,148	\$ 303,783
Audit accrual	7,700	7,000
	\$ 323,848	\$ 310,783

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#### 5. Deferred Pension Contribution Revenue

During the year, Lakehead University was required to make employer solvency deficiency payments into a Pension Solvency Account because of a solvency deficiency as defined by the Pension Benefits Act (1987). As per an actuarial valuation prepared at December 31, 2006, it was determined that there is no longer a solvency deficiency. As a result, these additional contributions are no longer required and the University has elected to apply the balance in the Pension Solvency Account to offset its regular contributions to the plan.

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#### 6. Pension Transfers

The balance of pension transfers for the year includes pension transfers from Lakehead University Employee Pension Plan to the Professional Administrative Staff Plan in the amount of \$ 303,898.27 (2005 - \$23,507). Funds are transferred for members of the LUEPP that transfer to the PP when changing benefit classification effective January 1, 2007.

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#### 7. Pension Benefits and Refunds

	2006	2005
Pension benefits	\$ 7,367,409	\$ 7,347,992
Refunds	4,185,082	4,633,235
	\$ 11,552,491	\$ 11,981,227

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**Lakehead University Pension Investment Fund**  
**Notes to Financial Statements**

December 31, 2006

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**8. Administrative Expenses and Professional Fees**

	<u>2006</u>	<u>2005</u>
Investment management fees	\$ 851,875	\$ 798,640
Actuarial fees	104,632	89,238
Investment counseling	26,560	26,750
Consulting fees	61,856	48,043
Audit fees	7,802	6,955
Custodial service fees	81,010	78,909
Other – Pension Commission	62,024	33,144
Goods and Services Tax rebate	<u>(46,302)</u>	<u>(45,959)</u>
	<u>\$ 1,149,457</u>	<u>\$ 1,035,720</u>

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**9. Related Party Transactions**

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

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**10. 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**  
**Schedule – Cost and Market Values of Investments**

For the year ended December 31	2006		2005	
	Cost	Market Value	Cost	Market Value
Brandes Global Equity Unit Trust	\$ 60,869,335	\$ 64,886,872	\$ 52,776,838	\$ 51,080,168
Corporate shares - Canadian	251,042	-	251,042	-
Jarislowsky Fraser Bond Fund	45,903,196	46,847,860	47,346,374	48,964,863
Jarislowsky Fraser Equity Fund	36,240,853	61,824,768	32,224,648	54,447,767
McLean Budden Equity Growth Fund	22,310,970	30,030,998	23,171,972	28,451,427
McLean Budden Fixed Income Pool Fund	26,184,541	26,619,791	22,808,684	23,582,644
McLean Budden Money Market Fund	2,119,827	2,119,827	2,211,494	2,211,494
	<b>\$ 193,879,764</b>	<b>\$ 232,330,116</b>	<b>\$ 180,791,052</b>	<b>\$ 208,738,363</b>

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