

Lakehead University
Pension Investment Fund
Financial Statements
For the year ended December 31, 2008

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Auditors' Report

To the Administrator of 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, 2008 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 Fund's Administrator. 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, 2008 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
August 5, 2009

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

For the year ended December 31

2008

2007

	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Lakehead University Employee Pension Plan (Ontario Registration Number 526921)	Total	Total
Assets				
Cash	\$ 3,610,675	\$ 523,372	\$ 4,134,047	\$ 2,215,442
Investments, at market value (Note 3) (Schedules 1 and 2) (cost 2008- \$203,749,642; cost 2007- \$213,352,846)	150,794,517	21,484,108	172,278,625	223,394,271
GST receivable	61,365	8,895	70,260	55,107
Sponsor's contributions receivable	317,953	59,198	377,151	58,654
Employees' contributions receivable	269,429	63,398	332,827	262,461
	155,053,939	22,138,971	177,192,910	225,985,935
Liabilities				
Accounts payable (Note 4)	290,524	44,713	335,237	439,125
Deferred pension contribution revenue	-	-	-	407,153
	290,524	44,713	335,237	846,278
Net assets available for benefits	\$ 154,763,415	\$ 22,094,258	\$ 176,857,673	\$ 225,139,657

On behalf of the Administrator

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

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

For the year ended December 31			2008	2007
	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Lakehead University Employee Pension Plan (Ontario Registration Number 526921)	Total	Total
Income (loss)				
Investment income (Note 3)	\$ 8,397,522	\$ 1,254,825	\$ 9,652,347	\$ 10,513,941
Net realized gains (losses) on investments	(5,522,039)	(800,424)	(6,322,463)	20,976,749
Net unrealized change in market value of investments	(36,263,003)	(5,256,350)	(41,519,353)	(28,408,925)
Other cash receipts – pension transfers (Note 5)	468,482	282	468,764	130,355
Contributions - employees	1,846,838	574,553	2,421,391	2,205,049
- sponsor	2,261,472	518,987	2,780,459	2,507,138
	(28,810,728)	(3,708,127)	(32,518,855)	7,924,307
Expenses				
Administration and professional fees (Note 7)	1,281,789	179,731	1,461,520	1,331,082
Increase (decrease) in net assets before benefits paid	(30,092,517)	(3,887,858)	(33,980,375)	6,593,225
Benefits Paid				
Pension benefits and refunds (Note 6)	10,950,649	3,350,960	14,301,609	12,939,653
Decrease in net assets available for benefits	(41,043,166)	(7,238,818)	(48,281,984)	(6,346,428)
Net assets available for benefits, beginning of year	195,806,581	29,333,076	225,139,657	231,486,085
Net assets available for benefits, end of year	\$ 154,763,415	\$ 22,094,258	\$ 176,857,673	\$ 225,139,657

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

Lakehead University Pension Investment Fund

Notes to Financial Statements

December 31, 2008

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 assets of the Fund are held by Northern Trust. Advisory Research Inc., Brandes Investment Partners & Co., Addenda Capital (formerly Cooperators), Dimensional Fund Advisors Canada ULC, Gluskin Sheff & Associates Inc., Jarislowsky Fraser Limited, Letko, Brosseau & Associates Inc. and Wentworth, Hauser and Violich Investment Counsel 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% (2007 – 6.5%) of earnings were made by faculty and librarians and 8.05% (2007 – 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2007 – 8.05%) of earnings were made by employees and 8.05% (2007 – 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% (2007 - 7.9%) of their earnings, except for United Steelworkers of America employees and contracted employees who contribute 7.5% and 7.15% (2007 – 7.5% and 7.15%), respectively, of their earnings. The Plan sponsor matches employee contributions.

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 Plans. Consequently, these financial statements do not purport to show the adequacy of the Fund's assets to meet the Plan's pension obligations.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

2. Significant Accounting Policies (cont'd)

Financial Instruments

All transactions related to financial instruments are recorded on a settlement date basis. The Fund classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. The Fund's accounting policy for the categories is as follows:

Held-for-trading

This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried on the statement of net assets available for benefits at fair value with changes in fair value recognized in the statement of changes in net assets available for benefits. Transaction costs related to instruments classified as held-for-trading are expensed as incurred. Realized gains on disposals of instruments classified as held-for-trading are the difference between the proceeds of disposition and the cost of the instrument. Unrealized gains on instruments classified as held-for-trading are equal to the change in the market value of the instrument. The Fund has classified its investments as held for trading.

Loans and Receivables and Other Financial Liabilities

Loans and receivables and other financial liabilities are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition. These instruments are initially recognized at fair value including direct and incremental transactions costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment. The Fund has classified contributions receivable as loans and receivables. The Fund has classified accounts payable as other financial liabilities.

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.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

2. Significant Accounting Policies (cont'd)

Investments (cont'd)

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.

Use of Estimates

The preparation of financial statements in accordance with the accounting principles described in the significant accounting policies requires the Fund Administrator 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.

3. Investments and Investment Income

Investments

	<u>Market Value</u>	<u>2008 Cost</u>	<u>Market Value</u>	<u>2007 Cost</u>
Short term investments	\$ -	\$ -	\$ 1,694,186	\$ 1,694,186
Canadian equities	12,647,182	20,083,101	27,637,220	28,030,150
US equities	3,879,902	7,352,224	8,968,952	9,111,543
Foreign equities	4,541,406	7,052,661	4,814,809	5,104,674
Canadian unit trusts	72,451,404	86,576,307	97,125,576	85,793,908
US unit trusts	5,140,865	8,192,033	8,628,492	9,700,411
Canadian unit trust bonds	66,598,082	66,953,834	67,227,361	66,483,064
US partnerships	6,975,814	7,495,512	7,275,937	7,416,967
Accrued income	43,970	43,970	21,738	17,943
	<u>\$ 172,278,625</u>	<u>\$ 203,749,642</u>	<u>\$ 223,394,271</u>	<u>\$ 213,352,846</u>

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

3. Investments and Investment Income (cont'd)

Investment income

	2008	2007
Bonds and debentures - Canadian	\$ 3,667,043	\$ 2,981,308
Corporate shares - Canadian	3,214,503	7,548,919
Foreign - Global	2,503,742	410
Short-term notes and treasury bills	67,502	117,622
Other	199,557	(134,318)
	\$ 9,652,347	\$ 10,513,941

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, 2008:

	2008 Cost	2008 Market Value
Canadian Equity Fund		
Jarislowky Fraser Investments - Equity Fund (1)	\$ 23,051,235	\$ 25,603,251
Letko Brosseau - RSP Equity Fund (2)	10,277,296	7,850,313
Bond Fund		
Addenda Capital (6)	40,903,985	41,063,884
Jarislowky Fraser Investments Bond Fund (1)	26,049,849	25,534,198
Letko Brosseau - RSP Balanced Fund (2)	32,555,631	27,030,118
Foreign Equity Fund		
Advisory Research – Small Cap Value Fund II (3)	7,495,512	6,975,814
Brandes Pooled Investments - Global Equity Unit Trust (5)	19,973,624	11,217,403
Dimensional Fund Advisors - International Small Cap (4)	8,192,036	5,140,867
Miscellaneous – Other		
Gluskin Sheff - Canadian common stocks (7)	15,886,937	10,178,165
Wentworth, Hauser and Violich - Canadian common stocks (8)	3,945,122	2,494,338
Wentworth, Hauser and Violich - US common stocks (8)	6,831,913	3,738,107
Wentworth, Hauser and Violich - EAFE common stocks (8)	5,243,914	3,787,820

- (1) Jarislowky Fraser investments are pooled funds administered by Jarislowky Fraser Limited.
- (2) Letko Brosseau investments are pooled funds administered by Letko, Brosseau & Associates Inc.
- (3) Advisory Research investments are pooled funds administered by Advisory Research Canada ULC.
- (4) Dimensional Fund investments are pooled funds administered by Dimensional Fund Advisors Inc.
- (5) The Brandes investment is a pooled fund administered by Brandes Investment Partners & Co.
- (6) Addenda Capital (formerly Cooperators) investment is a pooled fund administered by Addenda Capital.
- (7) The Gluskin Sheff investments are a segregated fund administered by Gluskin Sheff & Associates Inc.
- (8) The Wentworth Hauser and Violich investments are a segregated fund administered by Wentworth, Hauser and Violich Investment Counsel.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

4. Accounts Payable

	2008	2007
Investment Management		
Addenda Capital	\$ 21,799	\$ -
Brandes Investment Partners & Co.	28,470	-
Gluskin Sheff & Associates Inc,	54,447	-
Letko, Brosseau & Associates Inc.	27,530	-
McLean Budden	-	51,166
Jarislowsky Fraser Limited	35,043	230,067
Wentworth, Hauser and Violich Investment Counsel	52,443	-
Other		
BDO Dunwoody LLP – Audit	8,085	7,700
Eckler Ltd. – Actuarial	19,576	51,642
I3 Advisors Inc. – Investment Advisory	54,117	67,097
Northern Trust – Custodial Services	26,341	-
RBC Dexia – Custodial Services	-	24,067
Ontario Pension Commission	7,386	7,386
	\$ 335,237	\$ 439,125

5. Pension Transfers

The balance of pension transfers for the year includes pension transfers from Lakehead University Employee Pension Plan to the Professional and Administrative Staff Plan in the amount of \$ 468,764 (2007 - \$ 130,355). Funds are transferred for members of the LUEPP that transfer to the PP when changing benefit classification effective January 1, 2009.

6. Pension Benefits and Refunds

	2008	2007
Pension benefits	\$ 7,630,701	\$ 7,401,130
Refunds	6,670,908	5,538,523
	\$ 14,301,609	\$ 12,939,653

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

7. Statutory Information

a) Description of the Plan Benefits

The following is a brief summary of the Plan benefits:

Actual benefits including conditions and limitations thereto are governed by the provisions of the Plans and reference should be made to the Plans for more detailed information. Generally, the Plans provide pension payments on death and/or retirement to eligible members and their spouses based on accrued gains during their actual number of years of service.

b) Administrative and Professional Fees

	2008	2007
Investment management fees	\$ 1,077,809	\$ 994,051
Actuarial fees	83,487	185,383
Investment counseling	242,220	213,195
Consulting fees	20,517	(4,083)
Audit fees	8,470	7,420
Custodial service fees	89,143	3,074
Other – Pension Commission	7,386	(18,872)
Other – Professional fees	2,772	6,018
Goods and services tax rebate	(70,284)	(55,104)
	\$ 1,461,520	\$ 1,331,082

8. Related Party Transactions

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

9. 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 Financial Statements

December 31, 2008

10. Statement of Cash Flows

A statement of cash flows is not presented since the cash flow information is readily apparent from other financial statements or is adequately disclosed in the notes to the financial statements.

11. Financial Instruments

The carrying value of GST, 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 Fund holds short term government debt instruments linked to interest rates. All of these government debt instruments will mature in the next year. The Plan also invests in pooled funds that may hold debt instruments linked to interest rates.

Foreign Currency Risk

Foreign currency exposure arises from the Fund's holdings of foreign equity or debt instruments. The Fund invests in a mutual fund 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 (Page 13). An increase or decrease of 1% in the US exchange rate would result in an increase or decrease of net assets available for benefits of \$185,000.

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 the Fund invests in 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 1% of the Fund's investment portfolio would result in an increase or decrease of net assets available for benefits of \$1,700,000.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit exposure to the Fund is represented by the fair value of the contributions receivable and investments presented in the Statement of Net Assets Available for Benefits. A portion of the Fund's cash equivalents are invested in short term debt instruments guaranteed by the Federal and certain provincial governments.

Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2008

12. Capital Management

The Fund's capital is its net assets available for benefits. The Fund's objective when managing capital is to safeguard the Fund's ability to continue to provide pension and related payments to its members. The Fund is not exposed to any externally imposed capital restrictions.

13. 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 Plan at December 31, 2006, reported that based on then current provisions, the Plan was fully funded with no solvency deficiency and there was no requirement for additional University contributions. The next valuation is scheduled to be carried out no later than December 31, 2009.

14. Adoption of New Accounting Standards

On January 1, 2008, the Plan adopted two new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (CICA):

Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation.

Financial instruments - disclosures and presentation

Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Capital disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non compliance.

Lakehead University Pension Investment Fund

Schedule 1 – Cost and Market Value of Investments by Type

December 31, 2008

	Market value	Cost
Equities		
Common stock		
Argentina - USD	\$ 414,397	\$ 757,464
Australia - CAD	30,856	244,755
Brazil - USD	308,334	806,529
Canada - CAD	10,152,843	16,137,979
Canada - USD	2,494,338	3,945,122
France - USD	119,279	181,662
Germany - USD	319,437	448,655
Netherlands - USD	381,868	452,620
Norway - USD	21,757	34,647
Switzerland - USD	1,315,739	1,475,846
United Kingdom - USD	1,629,741	2,650,484
United States - CAD	141,795	520,311
United States - USD	3,738,106	6,831,912
Total common stock	<u>21,068,490</u>	<u>34,487,986</u>
Unit trust equity		
Canada - CAD	72,451,404	86,576,307
United States - USD	5,140,865	8,192,033
Total unit trust equity	<u>77,592,269</u>	<u>94,768,340</u>
Total equities	<u>98,660,759</u>	<u>129,256,326</u>
Fixed Income		
Unit trust bonds		
Canada - CAD	<u>66,598,082</u>	<u>66,953,834</u>
Partnerships		
United States - USD	<u>6,975,814</u>	<u>7,495,512</u>
	172,234,655	203,705,672
Accrued income	43,970	43,970
Total investments	<u>\$ 172,278,625</u>	<u>\$ 203,749,642</u>

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

For the year ended December 31	2008		2007	
	Cost	Market Value	Cost	Market Value
Advisory Research Inc.	\$ 7,495,512	\$ 6,975,814	\$ 7,416,967	\$ 7,264,604
Brandes Investment Partners & Co.	19,973,624	11,217,403	17,117,378	15,893,092
Addenda Capital (formerly Cooperators)	40,903,985	41,063,884	39,531,689	40,405,910
Dimensional Fund Advisors Canada ULC	8,192,036	5,140,867	7,984,606	7,055,272
Gluskin Sheff & Associates Inc.	17,401,685	11,106,789	27,901,238	27,788,777
Jarislowky Fraser Limited	49,352,126	51,137,449	52,953,422	66,888,739
Letko, Brosseau & Associates Inc.	42,832,927	34,880,432	44,644,562	42,749,355
Wentworth, Hauser and Violich Investment Counsel	17,597,747	10,755,987	15,802,984	15,348,522
	\$ 203,749,642	\$ 172,278,625	\$ 213,352,846	\$ 223,394,271