

**Lakehead University Pension  
Investment Fund  
Financial Statements**  
For the year ended December 31, 2009

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## Auditors' Report

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### 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, 2009 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, 2009 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 Canada LLP*

Chartered Accountants, Licensed Public Accountants

Thunder Bay, Ontario  
April 30, 2010

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

For the year ended December 31

2009                      2008

	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total	Total
<b>Assets</b>				
Cash	\$ 3,061,822	\$ 475,812	\$ 3,537,634	\$ 4,134,047
Investments, at market value (Note 3) (Schedules 1 and 2) (cost 2009- \$191,037,455 ; cost 2008- \$203,749,642)	165,327,898	25,373,066	190,700,964	172,278,625
GST receivable	34,754	5,401	40,155	70,260
Sponsor's contributions receivable	230,477	62,134	292,611	377,151
Employees' contributions receivable	208,279	64,933	273,212	332,827
	168,863,230	25,981,346	194,844,576	177,192,910
<b>Liabilities</b>				
Accounts payable (Note 4)	318,962	49,567	368,529	335,237
<b>Net assets available for benefits</b>	<b>\$ 168,544,268</b>	<b>\$25,931,779</b>	<b>\$194,476,047</b>	<b>\$ 176,857,673</b>

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	2009	2008	
	Professional and Administrative Staff Plan (Ontario Registration Number 246058)	Employee Pension Plan (Ontario Registration Number 526921)	Total
<b>Income (loss)</b>			<b>Total</b>
Investment income	\$ 6,808,371	\$ 1,057,981	\$ 7,866,352
Net realized losses on investments	(8,711,674)	(1,353,807)	(10,065,481)
Net unrealized change in market value of investments	26,780,785	4,360,481	31,141,266
Other cash receipts - pension transfers (Note 5)	-	-	468,764
Contributions - employees	1,933,934	581,023	2,514,957
- sponsor	2,376,170	545,450	2,921,620
	29,187,586	5,191,128	34,378,714
<b>Expenses</b>			
Administration and professional fees (Note 7)	1,076,088	168,092	1,244,180
	28,111,498	5,023,036	33,134,534
<b>Increase (decrease) in net assets before benefits paid</b>			<b>(33,980,375)</b>
<b>Benefits Paid</b>			
Pension benefits and refunds (Note 6)	14,330,645	1,185,515	15,516,160
	13,780,853	3,837,521	17,618,374
<b>Increase (decrease) in net assets available for benefits</b>			<b>(48,281,984)</b>
Net assets available for benefits, beginning of year	154,763,415	22,094,258	176,857,673
	\$ 168,544,268	\$ 25,931,779	\$ 194,476,047
<b>Net assets available for benefits, end of year</b>			<b>\$ 176,857,673</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, 2009

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### 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 Hiramama Investments, WHV Affiliated Subadvisor (formerly 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% (2008 - 6.5%) of earnings were made by faculty and librarians and 8.05% (2008 - 8.05%) by the Plan sponsor. For other members, contributions of 8.05% (2008 - 8.05%) of earnings were made by employees and 8.05% (2008 - 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% (2008 - 7.9%) of their earnings, except for United Steelworkers of America employees and contracted employees who contribute 7.5% and 7.15% (2008 - 7.5% and 7.15%), respectively, of their earnings. The Plan sponsor matches employee contributions. For contract lecturers, contributions of 6.5% (2008 7.5% and 7.15%) of earnings were made by employees and 7.9% (2008 7.5% and 7.15%) by the Plan sponsor.

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

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# Lakehead University Pension Investment Fund

## Notes to Financial Statements

December 31, 2009

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### 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 transaction 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.

##### 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, 2009

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

#### 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

#### Investments

	2009		2008	
	Market Value	Cost	Market Value	Cost
Canadian equities	\$ 21,214,336	\$ 18,837,255	\$ 12,647,182	\$ 20,083,101
Foreign equities	10,856,878	13,638,992	8,421,308	14,404,885
Canadian unit trusts	73,386,954	70,173,154	72,451,404	86,576,307
US unit trusts	6,090,470	8,300,399	5,140,865	8,192,033
Canadian unit trust bonds	72,523,845	72,518,968	66,598,082	66,953,834
US partnerships	6,548,378	7,495,512	6,975,814	7,495,512
Accrued income	57,698	57,698	43,970	43,970
Rights and warrants	22,405	15,477	-	-
	<b>\$190,700,964</b>	<b>\$191,037,455</b>	<b>\$ 172,278,625</b>	<b>\$ 203,749,642</b>

## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2009

### 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, 2009:

	2009 Cost	2009 Market Value
<b>Canadian Equity Fund</b>		
Jarislowsky Fraser Investments - Equity Fund (1)	\$ 25,284,419	\$ 32,108,208
Letko Brosseau - RSP Equity Fund (2)	10,509,802	9,195,396
<b>Bond Fund</b>		
Addenda Capital (5)	42,865,039	42,628,582
Addenda Capital - segregated (5)	2,094,552	2,053,632
Jarislowsky Fraser Investments Bond Fund (1)	27,559,377	27,841,632
Letko Brosseau - RSP Balanced Fund (2)	33,455,432	30,935,907
<b>Foreign Equity Fund</b>		
Advisory Research - Small Cap Value Fund II (3)	7,495,512	6,548,378
Dimensional Fund Advisors - International Small Cap (4)	8,300,399	6,090,470
<b>Misc - Other</b>		
Gluskin Sheff - Canadian Common Stocks (6)	14,892,133	17,449,454
Hirayama - Canadian Common Stocks (7)	3,945,122	3,764,882
Hirayama - United States Common Stocks (7)	6,603,081	4,827,046
Hirayama - EAFE Common Stocks (7)	4,682,705	3,871,623
Hirayama - Global Common Stocks	2,353,205	2,158,209

- (1) Jarislowsky Fraser investments are pooled funds administered by Jarislowsky 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, Inc.
- (4) Dimensional Fund investments are pooled funds administered by Dimensional Fund Advisors Canada ULC.
- (5) Addenda Capital (formerly Cooperators) investment is a pooled fund administered by Addenda Capital
- (6) The Gluskin Sheff investments are a segregated fund administered by Gluskin Sheff & Associates Inc.
- (7) The Hirayama Investments (formerly Wentworth Hauser, Violich investments) are a segregated fund administered by Hirayama Investments (formerly Wentworth Hauser and Violich Investment Council).



## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2009

### 4. Accounts Payable

	2009	2008
<b>Investment Management</b>		
Addenda Capital	\$ 23,456	\$ 21,799
Brandes Investment Partners & Co.	-	28,470
Gluskin Sheff & Associates Inc,	27,996	54,447
Letko, Brosseau & Associates Inc.	28,892	27,530
Jarislowsky Fraser Limited	33,041	35,043
Hirayama Investments (formerly Wentworth, Hauser and Violich Investment Counsel)	37,649	52,443
 <b>Other</b>		
BDO Dunwoody LLP - Audit	12,100	8,085
AON Consulting - Actuarial	155,367	-
Eckler Ltd.	-	19,576
Proteus - Investment Advisors	25,082	-
I3 Advisors Inc. - Investment Advisors	-	54,117
Northern Trust - Custodial Services	16,586	26,341
Ontario Pension Commission	8,360	7,386
	\$ 368,529	\$ 335,237

### 5. 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 \$Nil (2008 - \$468,764). Funds are transferred for members of the LUEPP that transfer to the PP when changing benefit classification effective January 1, 2010.

### 6. Pension Benefits and Refunds

	2009	2008
Pension benefits	\$ 7,703,668	\$ 7,630,701
Refunds	7,812,492	6,670,908
	\$ 15,516,160	\$ 14,301,609

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## Lakehead University Pension Investment Fund Notes to Financial Statements

December 31, 2009

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### 7. Administrative Expenses and Professional Fees

	2009	2008
Investment management fees	\$ 830,522	\$ 1,077,809
Actuarial fees	199,672	83,487
Investment counselling	159,514	242,220
Consulting fees	-	20,517
Audit fees	16,116	8,470
Custodial service fees	64,941	89,143
Other - Pension Commission	7,912	7,386
Other - Professional fees , meeting expenses	5,658	2,772
Goods and services tax rebate	(40,155)	(70,284)
	<u>\$ 1,244,180</u>	<u>\$ 1,461,520</u>

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### 8. Related Party Transactions

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

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### 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).

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### 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.

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### 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.

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# Lakehead University Pension Investment Fund

## Notes to Financial Statements

December 31, 2009

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### 11. Financial Instruments (cont'd)

#### 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 12). 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 \$235,000.

#### 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 \$1,900,000.

#### 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.

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### 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.

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### 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 September 30, 2010 for a December 31, 2009 valuation.

**Lakehead University Pension Investment Fund**  
**Schedule 1 - Cost and Market Value of Investments by Type**

December 31	2009		2008	
	Market value	Cost	Market value	Cost
<b>Equities</b>				
<b>Common stock</b>				
Argentina - USD	\$ 715,394	\$ 757,464	\$ 414,397	\$ 757,464
Australia - USD	810,855	789,253	30,856	244,755
Brazil - USD	631,960	806,488	308,334	806,529
Canada - CAD	17,449,454	14,892,133	10,152,843	16,137,979
Canada - USD	3,764,882	3,945,122	2,494,338	3,945,122
France - USD	106,747	181,662	119,279	181,662
Germany - USD	369,292	448,655	319,437	448,655
Netherlands - USD	427,054	452,620	381,868	452,620
Norway - USD	38,202	34,647	21,757	34,647
Switzerland - USD	1,609,740	1,703,891	1,315,739	1,475,846
United Kingdom - USD	1,320,588	1,861,231	1,629,741	2,650,484
United States - CAD	-	-	141,795	520,311
United States - USD	4,827,046	6,603,081	3,738,106	6,831,912
<b>Total common stock</b>	<b>32,071,214</b>	<b>32,476,247</b>	<b>21,068,490</b>	<b>34,487,986</b>
<b>Rights/warrants</b>				
Canada - CAD	22,405	15,477	-	-
<b>Unit trust equity</b>				
Canada - CAD	73,386,954	70,173,154	72,451,404	86,576,307
United States - USD	6,090,470	8,300,399	5,140,865	8,192,033
<b>Total unit trust equity</b>	<b>79,477,424</b>	<b>78,473,553</b>	<b>77,592,269</b>	<b>94,768,340</b>
<b>Total equities</b>	<b>111,571,043</b>	<b>110,965,277</b>	<b>98,660,759</b>	<b>129,256,326</b>
<b>Fixed Income</b>				
<b>Unit trust bonds</b>				
Canada - CAD	72,523,845	72,518,968	66,598,082	66,953,834
<b>Partnerships</b>				
United States - USD	6,548,378	7,495,512	6,975,814	7,495,512
	190,643,266	190,979,757	172,234,655	203,705,672
Accrued income	57,698	57,698	43,970	43,970
<b>Total investments</b>	<b>\$ 190,700,964</b>	<b>\$ 191,037,455</b>	<b>\$ 172,278,625</b>	<b>\$ 203,749,642</b>

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

For the year ended December 31

2009

2008

	Cost	Market Value	Cost	Market Value
Advisory Research Inc.	\$ 7,495,512	\$ 6,548,378	\$ 7,495,512	\$ 6,975,814
Brandes Investment Partners & Co.	-	-	19,973,624	11,217,403
Addenda Capital (formerly Co-operators)	44,959,591	44,682,214	40,903,985	41,063,884
Dimensional Fund Advisors Canada ULC	8,300,399	6,090,470	8,192,036	5,140,867
Gluskin Sheff & Associates Inc.	15,869,794	18,655,985	17,401,685	11,106,789
Jarislowsky Fraser Limited	52,843,796	59,949,840	49,352,126	51,137,449
Letko, Brosseau & Associates Inc.	43,963,234	40,131,303	42,832,927	34,880,432
Hirayama Investments (formerly Wentworth, Hauser and Violich Investment Counsel)	17,605,129	14,642,774	17,597,747	10,755,987
	<b>\$191,037,455</b>	<b>\$190,700,964</b>	<b>\$203,749,642</b>	<b>\$172,278,625</b>