retirement

PLAN REVIEW

Fall/Winter 2023

Contents

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PERFORMANCE SUMMARY

INVESTMENT STRATEGY

Capital Markets are unpredictable over short time periods and a well-diversified portfolio will help protect your capital over the long-term. Successful long-term investors do not focus on poor performance in any given year – they review their strategy and make sure it is well aligned with their long-term objectives. Completing a 'Risk Profile' will help to determine the type of investor you are. If you are unsure of the best strategy for you, you should seek independent professional advice before making your investment decisions.

Period Ending September 30, 2023

	1 year	**3 year**	**4 year**	**10 year**
Lakehead Pension Total Portfolio	11.5	6.0	5.0	6.6
Benchmark	*9.4*	*3.9*	*4.6*	*6.6*
Lakehead Short Term Account*	4.3	1.8	1.7	1.4
Benchmark	*4.4*	*1.8*	*1.7*	*1.2*

**Performance shown is for the underlying pooled fund.*

Plan Governance

Plan Governance is handled by the Pension Board and Pension Advisory Committee.

The Professional Plan is administered by the Pension Board which is advisory to the Board of Governors. The Pension Board consists of the following members:

- Two Members of the Faculty (Bargaining Units #1 and #2);
- One Pensioner;
- One Member of Non-Faculty Staff; and
- Two persons chosen by the Board of Governors.

The Employee Plans is administered by the Pension Advisory Committee, which is advisory to the Board of Governors of the University. The Committee consists of:

- Two members appointed by the Board of Governors;
- One member of each bargaining unit;
- One member of non-union staff; and
- One member of non-union Technical staff.

Lakehead's Investment Structure and Managers

Investment Structure

Lakehead University Main Pension Plan

Lakehead Pension Total Portfolio — The pension plan investment structure is comprised of a number of underlying investment funds managed by various investment management firms (see below). The goal of the investment mix is to provide long term capital growth and capital preservation. The Portfolio is currently invested in Canadian large-cap and mid-cap equities, Canadian bonds, Canadian commercial mortgages, American large-cap and small cap equities and International large-cap and small-cap equities.

Lakehead University Short Term Account

Short Term Account — The Short Term Account is comprised of one underlying investment fund managed by Jarislowsky Fraser (JF). The underlying fund is a money market fund. Money market funds invest in short term interest bearing (or discount) securities of governments, corporation and other short term borrowers with a time horizon generally under one-year. The rate of return for the fund should be consistent with short term Canadian interest rates.

Underlying Investment Managers

Main Pension Plan

Balanced Fund

Jarislowsky Fraser Total Portfolio — Invests in the pooled JF Canadian equity and bond funds. The target allocation is a 50-50 split between the two funds. The JF Canadian equity fund emphasizes buying long-term growth at a reasonable price. The JF Bond fund is managed based on safety of principal, conservative duration management, and optimization of yield.

Canadian Equity Fund

CGOV Canadian Equity — Attempts to buy companies at a sufficient discount to their intrinsic values. The companies are diversified across a minimum of globally recognized industry sectors with the mandate limited to 25 companies. The fund is not expected to exhibit index-like characteristics.

American Equity Fund

Dimensional US Equity Small Cap Value — Invests primarily in securities of small-cap U.S. companies.

Global Equity Funds

Burgundy Global Equity — Follows a value philosophy with a quality bias, on the basis that capital preservation is a key element in generating strong returns over the long term. Burgundy's objective is to buy high quality businesses at attractive valuations and hold them for the long term. Valuation is built based on 5-year cash flows model which is discounted back at 8% or higher.

State Street Global Advisors (SSgA) — A portfolio of primarily large capitalization global equity stocks that is intended to match the return on the MSCI World Index.

T. Rowe Price Global Growth Equity — Seeks long-term capital appreciation and applies a growth-oriented approach, but with a mind-set that valuation always matters in generating alpha and in controlling absolute and relative risks. The strategy also maintains a focus on companies that they believe offer sustainability and robustness in their future earnings and cash flow growth, that have strong business models, and that apply rational deployment of capital.

International Equity Fund

Dimensional International Small Cap Value — Invests primarily in securities of small-cap international (non-U.S.) companies.

Fixed Income Funds

Addenda Bond Fund — Invests in a diversified portfolio of bonds and provides investors with interest income and safety of principal along with opportunities for moderate capital growth.

Addenda Commercial Mortgages Fund — Invests in commercial mortgages which are held until maturity unless their annual review process indicates a cause for concern.

GOOD TIME TO REVIEW YOUR RETIREMENT GOALS

We're approaching year end, which means 2023 is coming to an end – now would be a great opportunity to take some time to review your retirement plans and goals as we move in to 2024.

To help you determine if you're on track to meet your financial and lifestyle goals for retirement, here are a few things to consider:

What are your retirement goals?

Whether your retirement is five years away or 25 years down the road, the likelihood of achieving the retirement dreamed of is greatly increased by planning for it.

Different retirement lifestyles are associated with different costs – so consider how you would like to spend your retirement and the type of lifestyle you would want to lead. For example, if you plan to take a vacation once a year in retirement, think about what this trip would cost you. Repeat this process to create a budget, which includes all of your expenses in retirement. This gives you an idea of how much you will need to "pay yourself" each year during retirement in order to have the lifestyle you envision.

Are your savings on track?

Unfortunately, figuring out the price is only one part of the equation. If you are not saving in order to meet your retirement goals, the best planning in the world will still fall short. Remember that portions of your retirement income will come from government plans such as the Canada Pension Plan/Québec Pension Plan and Old Age Security, as well as company retirement savings plans. It will be up to you to make up the difference between what those sources provide and what your retirement expenses will be. While the price of your retirement can look like an overwhelming number at first, if you can save in regular amounts over a long period of time, you have a good chance of eventually reaching your retirement goal. The key to success lies in a continual cycle of planning, saving, and reviewing your plan regularly (and adjusting when necessary).

Ready to Retire

Retirement Income – An Introduction to LIFs, RRIFs, and Other Options

One of the benefits of saving through registered vehicles such as defined contribution pension plans or RRSPs is the ability to reduce current taxable income. Your money within these plans does not get taxed until it is withdrawn.

Locked-in money in a defined contribution pension plan must be converted to a retirement income product, such as a Life Income Fund (LIF) or life annuity, before the end of the year the member turns age 71. Similarly, RRSPs must be converted to a Registered Retirement Income Fund (RRIF) or used to purchase an annuity by December 31 of the year the contributor turns 71. Withdrawals from LIFs, RRSPs, and RRIFs are taxable as income and must be planned carefully to minimize the tax impact.

LIFs and RRIFs are tax-advantaged vehicles designed to provide a steady stream of retirement income while preserving the tax -sheltered status of the savings.

<u>LIF (Life Income Fund)</u>

A LIF is a retirement income fund which holds locked-in pension assets. Each province has its own rules for unlocking pension money. The minimum age to start withdrawing from a LIF also varies by province. LIFs have minimum and maximum annual withdrawal rates based on your age at the start of the year. The minimum withdrawal ensures steady income, while the maximum cap ensures your savings last throughout retirement. LIFs are not offered in Saskatchewan and Prince Edward Island but other locked-in vehicles are available.

<u>RRIF (Registered Retirement Income Fund)</u>

In order to generate income from your RRSP, it must be converted to a RRIF. Unlike LIFs, RRIFs are specific to RRSP's and have no maximum withdrawal limit, which provides greater flexibility for retirees. Remember that you must withdraw a minimum annual amount beginning in the year after a RRIF is established.

<u>Other Options at Retirement</u>

1. Lump Sum: A retiree can cash out their RRSP and non-locked-in pension money but this comes with significant tax implications.
2. Annuity Purchase: By buying an annuity, retirees receive guaranteed periodic payments for life. However, this relinquishes investment control on the principal.
3. Combination: Some retirees choose a combination of options, like LIFs or RRIFs alongside a partial lump sum or annuity for diversified income sources.

In conclusion, LIFs and RRIFs are valuable tools for Canadian retirees. They provide a flexible and tax-efficient way to transform pension and RRSP savings into a sustainable income stream for retirement. Consulting with a financial advisor can help retirees make informed choices, ensuring a comfortable and financially secure retirement.

MARKET REVIEW

Canadian Equities

- Canadian equities returned -2.2% during the third quarter of 2023.
- The top performing sectors were health care and energy, generating returns of 14.5% and 10.3% respectfully.
- The worst performing sectors were communication services and utilities, generating returns of -12.5% and -12.0% respectfully.
- The S&P/TSX Composite Index underperformed the S&P 500, MSCI ACWI, and MSCI World over the quarter.

Foreign Equities

- International markets, represented by the MSCI EAFE Index (C$), and the U.S. market, represented by the S&P 500 Index (C$), returned -2.0% and -1.2% respectively for the quarter.
- Global markets, represented by the MSCI World Index (C$), returned -1.3% for the quarter.

Fixed Income

- The U.S. Federal Reserve raised its key interest rate from 5.25% to 5.50% during the quarter.
- The Bank of Canada raised its key interest rate from 4.75% to 5.00% during the quarter.
- Both central banks followed up these rates hikes in July with a rate pause in September.
- Comments from major central banks emphasized that rate cuts are far away.
- The bond market continued to deal with elevated volatility, which has been the case since the beginning of the rate hiking cycle.
- Inflation moderated with core inflation in Canada falling from 3.2% year-over-year in June to 2.8% in September, and core inflation in the U.S. falling from 4.8% year-over-year in June to 4.1% in September.
- 10-year government bond yields rose 36 bps over the quarter to 4.03%. Long-term yields rose more than short-term yields, but the yield curve remained significantly inverted.

A note about the performance summary:

Returns are shown before fees unless indicated. Past performance of a fund is not necessarily indicative of future performance.

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