

Fund Financial Statements of

**RETIREMENT PLAN OF LAURENTIAN
UNIVERSITY OF SUDBURY**

Year ended June 30, 2023

Independent Auditor's Report

To the Board of Governors of
Laurentian University of Sudbury

Opinion

We have audited the fund financial statements of the Retirement Plan of Laurentian University of Sudbury Ontario Registration Number: 0267013 (the "Plan"), which comprise the statement of net assets available for benefits as at June 30, 2023, and the statement of changes in net assets available for benefits for the year then ended, and notes to the 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 the Plan as at June 30, 2023, and the changes in its net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act, 1990 (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 Financial Statements* section of our report. We are independent of the Plan 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 Plan to meet the requirements of the Financial Services Regulatory Authority of Ontario. 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 Plan and the Financial Services Regulatory Authority of Ontario and should not be used by parties other than the Administrator of the Plan and the Financial Services Regulatory Authority of Ontario.

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

Management is responsible for the preparation and fair presentation of these fund financial statements in accordance with the financial reporting provisions of Section 76 of the Regulations to the Pension Benefits Act, 1990 (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 the Plan'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 the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the 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 judgment 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 omissions, 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 the Plan'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 the Plan'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 fund 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 the Plan 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 fund 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
Oakville, Ontario
December 15, 2023

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY



Statement of Net Assets Available for Benefits

June 30, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash	\$ 4,218,389	\$ 5,492,568
Contributions receivable:		
Employee	487,633	468,672
Employer	533,643	531,651
Prepaid expenses	61,333	57,375
Investments (Note 4):		
Canadian pooled equity funds	57,462,277	56,336,593
Foreign pooled equity funds	136,469,477	130,543,214
Infrastructure and real assets	107,542,344	104,100,740
Canadian bonds	117,604,326	108,404,090
Mortgage funds	23,288,221	22,459,948
Cash and money market funds	6,640,739	7,582,770
Total investments	449,007,384	429,427,355
Total assets	\$ 454,308,382	\$ 435,977,621
Liabilities		
Accrued expenses	888,889	1,181,768
Accrued retirement benefits	-	30,347
Accrued termination benefits (Note 6)	25,820,995	25,378,056
Total liabilities	26,709,884	26,590,171
Net assets available for benefits	\$ 427,598,498	\$ 409,387,450

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

On behalf of the Pension Committee:


 _____ Trustee

 _____ Trustee

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Increase in net assets:		
Investment income (Note 5)	\$ 16,896,443	\$ 19,288,781
Net realized gain on sale of investments	6,162,740	11,307,774
Net unrealized gain on investments	10,652,792	-
Employer contributions:		
Current service	5,561,898	5,739,771
Special	120,712	819,646
Employee contributions:		
Required	5,360,065	5,436,981
	<u>44,754,650</u>	<u>42,592,953</u>
Decrease in net assets:		
Net unrealized loss on investments	-	54,972,278
Benefits (Note 6)	23,339,256	63,255,005
Administrative expenses (Note 7)	3,204,346	4,018,832
	<u>26,543,602</u>	<u>122,246,115</u>
Increase (decrease) in net assets available for benefits	18,211,048	(79,653,162)
Net assets available for benefits, beginning of year	409,387,450	489,040,612
Net assets available for benefits, end of year	<u>\$ 427,598,498</u>	<u>\$ 409,387,450</u>

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

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

1. Plan Description:

The Retirement Plan of Laurentian University of Sudbury (the "Plan") is a registered pension plan in the Province of Ontario under registration number 26701. Prior to July 1, 2011, the Plan provided for all members to earn pension benefits under hybrid defined contribution and defined benefit provisions (the "Hybrid Provisions"). Certain members commenced earning pension benefits under the final average earnings defined benefit plan provisions (the "FAE DB Provisions") for service on and after July 1, 2011. All members earned pension benefits under the FAE DB Provisions for service between July 1, 2012 and June 30, 2021. On and after July 1, 2021, all members earn pension benefits under the career average earnings defined benefit provisions (the "CAE DB Provisions"). Members retain their entitlements to pensions earned under the Hybrid Provisions and FAE DB Provisions, as applicable, for service before July 1, 2021. Entitlements under the Hybrid Provisions are determined based on member's defined contribution account balances to their date of retirement, termination of service or death, and earnings to June 30, 2021. Entitlements under the FAE DB Provisions are determined based on member's earnings to June 30, 2021.

As of April 7, 2021, active members who, upon leaving employment, have already reached their early retirement date (July 1st coincident with or next following their 55th birthday) will be eligible to receive a monthly pension and will not be eligible to elect a commuted value transfer payment option.

On February 2, 2021, the Plan's sponsor, Laurentian University, commenced a proceeding under the *Companies' Creditors Arrangement Act* ("CCAA"). In the context of the CCAA proceedings, Laurentian University, its union, and its faculty association adopted a pension term sheet, effective July 1, 2021, that was approved by court order on May 2, 2021. Included in the pension term sheet are registered pension plan design changes that limit portability, modify early retirement provisions, limit the receipt of pension benefits while employed, freeze the best average pensionable earnings, adjust for future service reduced career average earnings lifetime benefit formula integrated with enhanced CPP, and specify conditions for indexation. The pension term sheet also specifies changes to the contribution requirements of the plan sponsor and members.

Also, in the context of the CCAA proceedings, Laurentian University disclaimed its federation agreements with University of Sudbury and Thorneloe University. Accordingly, employees of these universities ceased to accrue pension benefits under the Plan effective December 31, 2021. For pension benefits accrued prior to December 31, 2021, University of Sudbury and Thorneloe University will continue to fund the pension benefits in accordance with legislative requirements. Other plan restructuring in the year included provisions whereby employees of Huntington University ceased to be members of the Plan effective June 30, 2021. As of this date, these members ceased to accrue pension benefits in the Plan and contributions into the Plan on behalf of these members ceased.

Pursuant to the Plan Monitor's Certificate dated November 28, 2022 and the Amended CCAA Plan of Comprise or Arrangement, the Plan Implementation Date has occurred.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

1. Plan Description (Continued):

Pursuant to the pension term sheet referenced above, both the employer and employee contribute to the Plan based on a percentage of pensionable earnings. The employer is required to contribute amounts sufficient to meet the current service costs and amortize any unfunded liabilities in such manner as to comply with the solvency provisions of the Ontario Pension Benefits Act.

The actuary is Eckler Consultants and Actuaries and the most recent valuation was completed effective January 1, 2023 with respect to the calculated actuarially determined going concern, solvency and windup funding positions.

2. Basis of Preparation:

(a) Basis of presentation:

As permitted under Section 76 of Regulation 909 to the Pension Benefits Act (Ontario), the Plan may prepare fund financial statements in accordance with Canadian accounting standards for pension plans or in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit. The Plan has prepared these fund financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of The Chartered Professional Accountants of Canada ("CPAC") Handbook - Accounting or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with IFRS.

These fund financial statements have been prepared to assist the Pension Committee of the Retirement Plan of Laurentian University of Sudbury in meeting the requirements of the Financial Services Regulatory Authority of Ontario. As a result, these fund financial statements may not be suitable for another purpose.

These fund financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the University's financial health.

(b) Functional and presentation currency:

These fund financial statements are presented in Canadian dollars, which is the Plan's functional currency.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

2. Basis of Preparation (Continued):

(c) Use of estimates and judgements:

The preparation of the fund financial statements in conformity with Canadian accounting standards for pension plans and IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant Accounting Policies:

(a) Foreign currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains on investments.

(b) Income recognition:

Investment income is recorded on an accrual basis and includes interest income, dividends and other income.

Employee and Employer contributions are recorded in the period for which payroll deductions were calculated.

(c) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

3. Significant Accounting Policies (Continued):

(c) Financial assets and financial liabilities (Continued):

(i) Non-derivative financial assets (continued):

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its accrued liabilities to be a non-derivative financial liability.

(d) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan has adopted the guidance in IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Canada Handbook - Accounting. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

3. Significant Accounting Policies (Continued):

(d) Fair value measurement (Continued):

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the net unrealized gains on investments.

Fair values of investments are determined as follows:

- (i) Pooled funds and investments in limited partnerships are recorded at fair value based on net asset values obtained from each of the funds' administrators.
- (ii) Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- (iii) Short-term notes and treasury bills maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(e) Net realized gain (loss) on sale of investments:

The net realized gain (loss) on sale of investments is the difference between proceeds received and the average cost of investments sold.

(f) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(g) Pension benefits:

Pension payments are shown as expenditures in the period of payment with the exception of terminations which are accrued at the year end date.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

4. Investments:

(a) Investments by type:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Canadian pooled equity funds	\$ 57,462,277	\$ 55,662,670	\$ 56,336,593	\$ 54,084,906
Foreign pooled equity funds	136,469,477	113,062,831	130,543,214	119,170,779
Infrastructure and real estate	107,542,344	84,944,503	104,100,740	80,388,356
Canadian bonds	117,604,326	134,993,232	108,404,090	126,805,083
Mortgage funds	23,288,221	23,897,866	22,459,948	22,890,887
Cash and money market funds	6,640,739	6,640,739	7,582,770	7,582,770
	\$ 449,007,384	\$ 419,201,841	\$ 429,427,355	\$ 410,922,781

(b) Investment allocation:

(i) By manager (percentage of total investments at fair value):

	Fund Policy %	Target %	2023 %	2022 %
Mawer Investment Management Ltd. – balanced	30-45	37.5	38.0	36.7
RBC Global Asset Management – global equity	10-25	17.0	14.2	14.6
RBC Global Asset Management – core plus	10-30	20.5	17.9	18.0
Real Estate Manager	5-15	10.0	11.9	12.4
Infrastructure Managers	5-15	10.0	11.9	11.8
Mortgage Manager	0-10	5.0	5.1	5.2
Cash			1.0	1.3
		100.0	100.0	100.0

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

4. Investments (Continued)

(b) Investment allocation (continued):

(ii) Overall asset allocation policy (percentage of total investments at fair value):

	Fund Policy %	Target %	2023 %	2022 %
Cash	0.0 - 10.0	0.0	2.4	4.6
Fixed income	22.5 - 47.5	30.0	26.0	24.6
Mortgages	0.0 - 10.0	5.0	5.1	5.1
Total fixed income	30.0 - 50.0	35.0	33.5	34.3
Canadian equities	7.5 - 25.0	15.0	12.7	12.4
Foreign equities	20.0 - 40.0	30.0	30.2	29.4
Total equities	35.0 - 55.0	45.0	42.9	41.8
Infrastructure	5.0 - 15.0	10.0	11.7	11.5
Real estate	5.0 - 15.0	10.0	11.9	12.4
Total real assets	15.0 - 25.0	20.0	23.6	23.9
		100.0	100.0	100.0

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

5. Investment Income:

		2023		2022
Canadian pooled equity funds	\$	6,611,085	\$	7,529,223
Foreign pooled equity funds		1,351,640		4,557,223
Infrastructure and real estate		3,518,087		2,943,739
Canadian bonds		4,074,550		3,472,062
Mortgage funds		1,006,980		767,371
Cash and money market funds		334,101		19,163
	\$	16,896,443	\$	19,288,781

6. Benefits:

		2023		2022
Retirement benefits	\$	18,155,992	\$	17,091,755
Termination benefits		3,722,619		45,507,799
Death benefits		1,460,645		655,451
	\$	23,339,256	\$	63,255,005

The Plan recognizes the full amount of termination benefits at the time a member applies to receive a commuted value payout. The Plan has a wind-up funding deficiency and, therefore, defers a portion of certain termination benefits. The amounts deferred bear interest at prescribed rates. The deferred amounts, plus interest, are reflected as a liability and will be paid at the earlier of five years or the date upon which the Plan is fully funded.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

7. Administration Expenses:

		2023		2022
Trustee and administrative fees	\$	152,603	\$	180,023
Actuarial and consulting fees		1,088,939		1,731,973
Investment management fees		1,725,081		1,813,446
Other		237,723		293,390
	\$	3,204,346	\$	4,018,832

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

8. Statutory Disclosure:

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or fair value of the Plan, as required by the Regulation to the Pension Benefits Act (Ontario).

Fund name	Fund operator	Nature of investments held	Fair value
Addenda Commercial Mortgages Pooled Funds	Addenda Management	Mortgage funds	\$ 23,288,221
JP Morgan IIF Canadian	J.P. Morgan Asset Management	Infrastructure and real estate	23,795,484
Mawer Canadian Bond Pooled Fund	Mawer Investment Management	Canadian bonds	36,660,053
Mawer Canadian Equity Pooled Fund	Mawer Investment Management	Canadian pooled equity funds	55,076,840
Mawer Canadian Money Market Fund	Mawer Investment Management	Pooled money market funds	5,860,720
Mawer Global Small Capped Fund	Mawer Investment Management	Foreign pooled equity funds	9,535,172
Mawer International Equity Pooled Fund	Mawer Investment Management	Foreign pooled equity funds	31,494,573
Mawer US Equity Fund Class O	Mawer Investment Management	Foreign pooled equity funds	31,210,878
MIRA Infrastructure Global Solution	MAM Americas	Infrastructure and real estate	29,882,201
PH&N Core Plus Bond	RBC Global Asset Management	Canadian bonds	80,944,273
RBC Global Equity Focus-O	RBC Global Asset Management	Foreign pooled equity funds	64,228,854
TD-Greystone Real Estate Fund	TD Asset Management	Infrastructure and real estate	53,864,659

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

9. Capital Risk Management:

The Plan considers its capital to be its net assets available for benefits. The Plan's main objective when managing its capital is to sustain a certain level of net assets in order to meet the actuarially determined pension obligations of the University, which are not presented or discussed in these fund financial statements. The Plan fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), most recently amended and approved effective December 2021 and within the applicable regulatory limits. The Plan's SIPP is reviewed annually by the pension committee. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. Increases in net assets available for benefits are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the University. The main use of net assets available for benefits is for benefit payments to eligible Plan members. The Plan is required to file fund financial statements with the Financial Services Regulatory Authority of Ontario (FSRA).

The primary investment objective of the Plan is to ensure the assets are invested in a prudent manner so that sufficient assets, investment earnings and liquidity are available to meet the Plan's obligations, in conformance with all applicable pension legislation. The Plan seeks to maximize total return, while protecting capital and minimizing risk. In specific terms, the pension committee identified an overall investment objective for the Plan to earn a total fund average annual rate of return over any given four-year period equal to the greater of: a) at least 3% plus the average annual increase in the Consumer Price Index, b) the return of a passively managed balanced portfolio, net of fees, with the asset allocation as described in the SIPP, and c) at least median when compared to a universe of similar funds. Actual results related to the Plan's investment portfolio are disclosed in Note 5.

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

10. Financial Instrument Risks:

The Plan's investing activities expose it to a variety of direct and indirect financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). These risks have not changed from the prior year.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

10. Financial Instrument Risks (Continued):

(a) 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 Plan. 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. While the Plan may be exposed to credit risk with respect to bonds, it manages this risk by primarily investing in investment-grade and government bonds. The Plan also has credit risk to the extent that contributions receivable are not collectible. The Plan manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

As at June 30, 2023, the Plan's Canadian bonds by credit rating are as follows:

		2023	% of		2022	% of
		Canadian Bonds	total		Canadian Bonds	total
Cash	\$	4,087,911	3	\$	2,341,896	2
AAA		26,484,550	23		28,332,049	26
AA		35,632,346	30		30,133,300	28
A		23,070,345	20		24,896,022	23
BBB		19,028,632	16		14,113,872	13
<BBB		4,789,097	4		4,527,665	4
Unrated		1,502,076	1		1,483,200	2
Mortgages		3,009,369	3		2,576,086	2
	\$	117,604,326	100.0	\$	108,404,090	100.0

(b) Liquidity Risk:

The Plan is also exposed to *liquidity risk* in the event that investments must be sold quickly. The Plan's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

The Plan's investments in infrastructure, real estate and mortgages may be exposed to a higher degree of liquidity risk.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

10. Financial Instrument Risks (Continued):

(c) Market Risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Plan invests in interest-sensitive investments such as bonds and other fixed income investments that will fluctuate due to changes in prevailing levels of market interest rates. The Plan mitigates this risk by investing in interest-bearing investments with varying maturity dates. As at June 30, the terms to maturity of interest-bearing investments are as follows:

2023 (millions)	Less than 1 year	1 - 5 years	5 - 10 years	> 10 Years	Total
Canadian bonds	\$ 7	\$ 39	\$ 34	\$ 38	\$ 118

2022 (millions)	Less than 1 year	1 - 5 years	5 - 10 years	> 10 Years	Total
Canadian bonds	\$ 6	\$ 37	\$ 32	\$ 33	\$ 108

As at June 30, 2023, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, net assets available for benefits would have decreased or increased by approximately \$8.6 million (2022 - \$8.0 million) respectively.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. In the current year, the Plan mitigated currency risk by the use of foreign exchange forward contracts with notional settlement amounts of \$53,850,821 as at June 30, 2023 (2022 - \$51,806,367), maturing September 29, 2023 (2022 – September 29, 2022).

As at June 30, 2023, had the Canadian dollar appreciated or depreciated by 5% relative to other currencies, with all other variables held constant, net assets available for benefits would have decreased or increased by approximately \$6.8 million (2022 - \$6.5 million) respectively.

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

10. Financial Instrument Risks (Continued):

(c) Market Risk (continued):

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Plan manages market risk by diversifying investments in accordance with the Statement of Investment Policies and Procedures, which is approved by the Board of Governors. As at June 30, 2023, had market prices of equities, pooled equity funds, infrastructure and real estate funds and mortgage funds increased or decreased by 10%, with all other variables held constant, net assets available for benefits would have increased or decreased by approximately \$32.4 million (2022 - \$31.3 million) respectively.

(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.

As at June 30, 2023, the following table represents a summary of investments held by level:

	2023	2022
Level 1 – equity pooled funds, cash and money market funds	\$ 200,572,493	\$ 194,462,578
Level 2 – Canadian bonds	117,604,326	108,404,090
Level 3 – infrastructure and real estate and mortgage	130,830,565	126,560,687
	\$ 449,007,384	\$ 429,427,355

RETIREMENT PLAN OF LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Fund Financial Statements

Year ended June 30, 2023

10. Financial Instrument Risks (Continued):

(d) Financial Instruments Fair Value Hierarchy (continued):

The schedule below presents a reconciliation of Level 3 investments measured at fair value using unobservable inputs during the year.

	2023	2022
Balance, beginning of year	\$ 126,560,687	\$ 116,000,703
Purchases	121,475	24,343
Sales	(710,455)	(1,003,549)
Realized gains	6,151,926	4,100,583
Net unrealized gain (loss) on investments	(1,293,068)	7,438,607
	<u>\$ 130,830,565</u>	<u>\$ 126,560,687</u>