For the

members of

The Edmonton

Pipe Industry

Pension Trust Fund

and

Health and Welfare Fund

2008

ANNUAL REPORT

DIRECTORY

The Edmonton Pipe Industry Pension Trust Fund
and
The Edmonton Pipe Industry Health and Welfare Fund

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Construction Employees Family Assistance Plan (CEFAP)

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Message from the Chairman

We are pleased to present the Annual Report of the Pension Trust Fund and the Health and Welfare Fund for the fiscal year ended September 30, 2008. This is the 8th Annual Report that we have provided to the members. The Annual Report provides an accounting to the members of the highlights of the Funds' activities for the past year.

Board of Trustees

As reported in detail to the members in August 2007, and in last year's Annual Report, the governance structure of the two Funds has changed. The amended trust agreements now provide that the Board of Trustees consists of four elected Union Trustees and three Independent Trustees including an Independent Chairman. All decisions by the Board require the approval of two-thirds of the Trustees. A Nominating Committee, consisting of the Business Manager of the Union and a representative of Construction Labour Relations – Alberta (CLRa), considers potential Independent Trustees and, after completion of its diligence process, makes a unanimous recommendation to the Board of Trustees who then appoint the Independent Trustees to the Board. The amended trust agreements were approved by the Court of Queen's Bench of Alberta on August 13, 2007. The amended and restated trust agreements are posted on the Plans' website www.epibenefitplans.com. We believe that the Funds' new governance structure is a success story.

Pension Trust Fund

As at September 30, 2008, the Pension Plan recorded an unfunded liability of $37.8 million. In Fiscal 2007 the Plan had accomplished a surplus of $12.4 million. In Fiscal 2006 the Plan had an unfunded liability of $25.1 million and therefore the Plan's surplus was certainly short-lived. In the 2007 Annual Report we made an observation that investment markets were in decline. Little did we (or anyone else) know the potential extent of the World financial market meltdown. If the Fund's fiscal year end was December 31, 2008 we would be reporting a more negative result because the real tailspin did not take place until October and November 2008. Fiscal 2009's Annual Report will likely not be uplifting reading.

For more information about the Pension Plan's funding status at the end of Fiscal 2008, reference should be made to the section in this Report entitled Actuarial Valuation. It is important to note that the actuarial valuation at September 30, 2008 continued to use an assumed investment return rate of 6.25% which is the same as the assumption used in the last three years. We have reported previously that the Trustees continuously examine the relevance of the Pension Plan's actuarial assumptions and part of this ongoing review includes a discussion, together with professional advisors, about likely long term investment returns.

Message from the Chairman (Cont'd)

Pension Trust Fund (Cont'd)

While we know that Fiscal 2009 is likely to show a deteriorating funding status, the Trustees believe that the long term funding assumption is still appropriate for the Plan. We also know that this return is in line with other multi-employer pension plans registered in the province of Alberta.

During the summer of 2008, the Trustees were in the late stages of considering an increase in pension benefits. However, with the downturn in the financial markets gathering steam, the Trustees decided to put any improvements on hold. This action was taken because the Trustees were not certain about the depth of investment market losses and they did not want to introduce an improvement that was not sustainable. The most prudent course of action was to maintain the current benefit design and review benefits following the market recovery. The Trustees have a Funding and Benefits Policy to guide them in these deliberations. The Funding and Benefits Policy is discussed later in this Annual Report.

The Pension Fund earned a negative rate of return of 8.41% for the year ended September 30, 2008. This is a reversal of over 16% compared to Fiscal 2007's return of 8.02%. The cost of the Plan's benefits assumes that investments will earn a net return of 6.25%. Another year with a significantly negative return will severely impair the Plan's funded status.

Offsetting much of the negative investment market return was the robust work picture for the Plan's members. The Pension Plan's target expectation for hours worked in the 2008 fiscal year was 10 million hours, and the actual hours worked were 13.9 million.

Our expectations for the immediate future, in terms of hours worked, is that there will be a short to medium term decline in the number of hours on which contributions are remitted to the Pension Plan. The energy sector, in which the Plan's members are key stakeholders, has suffered a significant decline - one that is commonly associated with a recession. It is broadly recognized that the United States has been in recession since late 2007 and that Canada entered recession several months later. The Trustees believe that the economic conditions will improve in the future; however we are guided by caution in terms of how this outlook is incorporated into the future expectations for the cost of Pension Plan benefits.

During 2008 the Trustees continued the review of the Fund's investment manager structure and asset mix. This review is conducted with the assistance of professional advisors. One of the Trustees' important investment beliefs is that superior future returns will be available in the non-traditional investment markets – private equity, infrastructure and real estate. The Trustees have deepened their due diligence in respect of these investment classes and have committed that, over the long term, up to 30% of the total Fund will be invested in a combination of real estate, infrastructure and private equity investments. All of these investments will be managed by professional asset managers. During Fiscal 2009 the Fund will make additional allocations to the investment funds managed by Standard Life Investments Limited (private equity and real estate) and TD Capital Private Equity Investors (private equity). Allocations will also be made to JP Morgan (infrastructure) and GE Investments Ltd. (private equity).

Message from the Chairman (Cont'd)

Pension Trust Fund (Cont'd)

No changes were made to the Pension Plan's benefits during Fiscal 2008. As mentioned earlier, the Plan's current benefits are reflective of the current funding status and respectful of the declining economic picture. The Funding and Benefits Policy, which is compliant with all relevant legislation, guides the actions of the Trustees as we make benefit decisions.

Health and Welfare Fund

The Health and Welfare Fund continues to be in very good financial shape. As of September 30, 2008, the reserve for future plan benefits was $29.6 million and the Health and Welfare Fund equity was $43.3 million. During the year ended September 30, 2008, $17.7 million was paid out to members as benefits.

Effective July 1, 2007 the Plan was improved to update the basis of reimbursement of dental expenses. The Plan also allowed dental implants as a covered benefit. During the coming year, the Board of Trustees will continue to examine the Plan's benefits to determine if any adjustments are warranted.

High quality service to Plan members is very important to the Trustees. During the year ended September 30, 2008, over 52,000 claims were processed by the Benefit Office. Many members continue to visit the Benefit Office for assistance with claims and often receive their benefit payment while they wait. For those members submitting their claims by mail, the turnaround time is generally 3 days from the time of receipt of the claim and the date the cheque is mailed to the member.

Status of the Lawsuit against certain current and former Pension Fund Trustees

Background

In February 2006, the Appeal Court of Alberta determined that the Pension Fund was required to pay the legal costs of the four members (i.e. the plaintiffs who are Dennis Deans, Nelson Rissling, Terence Day and James Sharpe) who instituted a legal action against 18 of the Pension Fund's present and former Trustees, and the retired general manager. In addition, the Pension Fund is also incurring its own legal expenses in taking all appropriate steps to protect the Pension Fund's interests.

The Pension Fund is only required to pay the plaintiffs' legal costs through to the end of the examination for discovery period. At the completion of that process, the plaintiffs must re-apply to the Courts if they want to continue to have their legal expenses paid by the Pension Fund. The Courts have appointed a case management judge to preside over the management of the lawsuit.

Current Status

In October 2007, the plaintiffs filed discontinuance with the Court, releasing the retired general manager from the lawsuit. Examinations for discovery were expected to be concluded by June 2008 but they have not made meaningful progress. Since the Fund remains responsible for bearing the financial costs of this lawsuit, the Trustees applied to the Court, again, to have the progress of this lawsuit reviewed. This review, held in January 2009, resulted in the Court establishing new timelines which extend this matter to the end of 2009.

Message from the Chairman (Cont'd)

Status of the Lawsuit against certain current and former Pension Fund Trustees (Cont'd)

During the year ended September 30, 2008, the Pension Fund paid out $226,471 in legal fees and other expenses. The costs paid by the Pension Fund from the inception of the lawsuit to date are now in excess of $800,000. This lawsuit has impacted on the Pension Fund in a negative manner because its financial and other resources have been used to fund the plaintiffs' action. Since the Pension Fund does not have access to unlimited resources, any money used to fund the lawsuit cannot be used for the Pension Plan's real purpose – providing benefits to the Plan's members. It is the Trustees' current estimate that the cost to be borne by the Pension Plan in this matter could easily be in excess of $1.2 Million.

General Comments

The very strong Alberta economy which was enjoyed during the Funds' Fiscal Year ended September 30, 2008 is changing. We may be faced with accepting lower expectations for the future in terms of man hours and investment returns. The Trustees are prepared to lead the Plans through this time of economic turmoil with the sole aim of working to protect the benefits of the Plans.

During the fiscal year ended September 30, 2008, the Board of Trustees met 7 times in full day meetings.

W. D. Grace, FCA
Chairman, Board of Trustees

PENSION FUND HIGHLIGHTS AND COMMENTARY

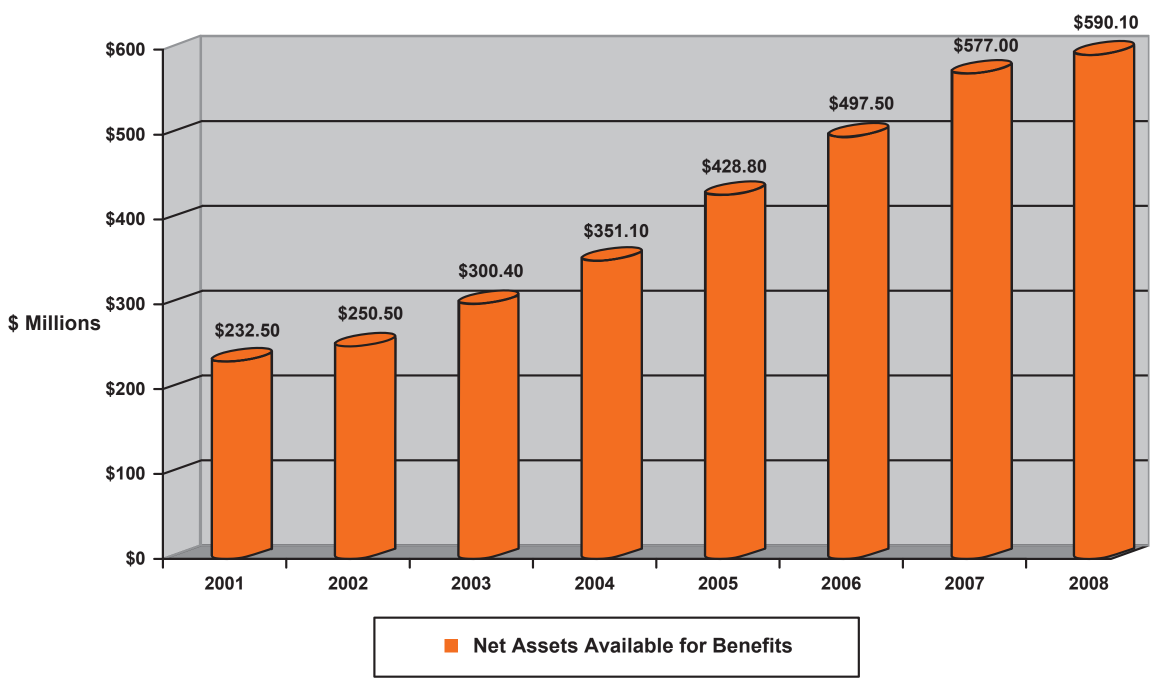
Pension Fund Assets

At September 30, 2008, the Pension Fund had $590.1 million in net assets available for benefits. This is an increase of $13.1 million compared to the net assets available for benefits at September 30, 2007. Net employer contributions in Fiscal 2008 were $90 million, an increase of $28 million over Fiscal 2007.

The Pension Fund received net contributions in respect of 13.9 million hours worked during Fiscal 2008. In spite of an improved year, in terms of increased man hours and contributions, this was not enough to offset the losses incurred in the financial markets. Therefore, as you will read throughout this Report, the Pension Plan's financial stability weakened marginally during the past year.

The chart below illustrates the growth in the Pension Fund's assets.

GROWTH IN PENSION FUND ASSETS 2001 - 2008

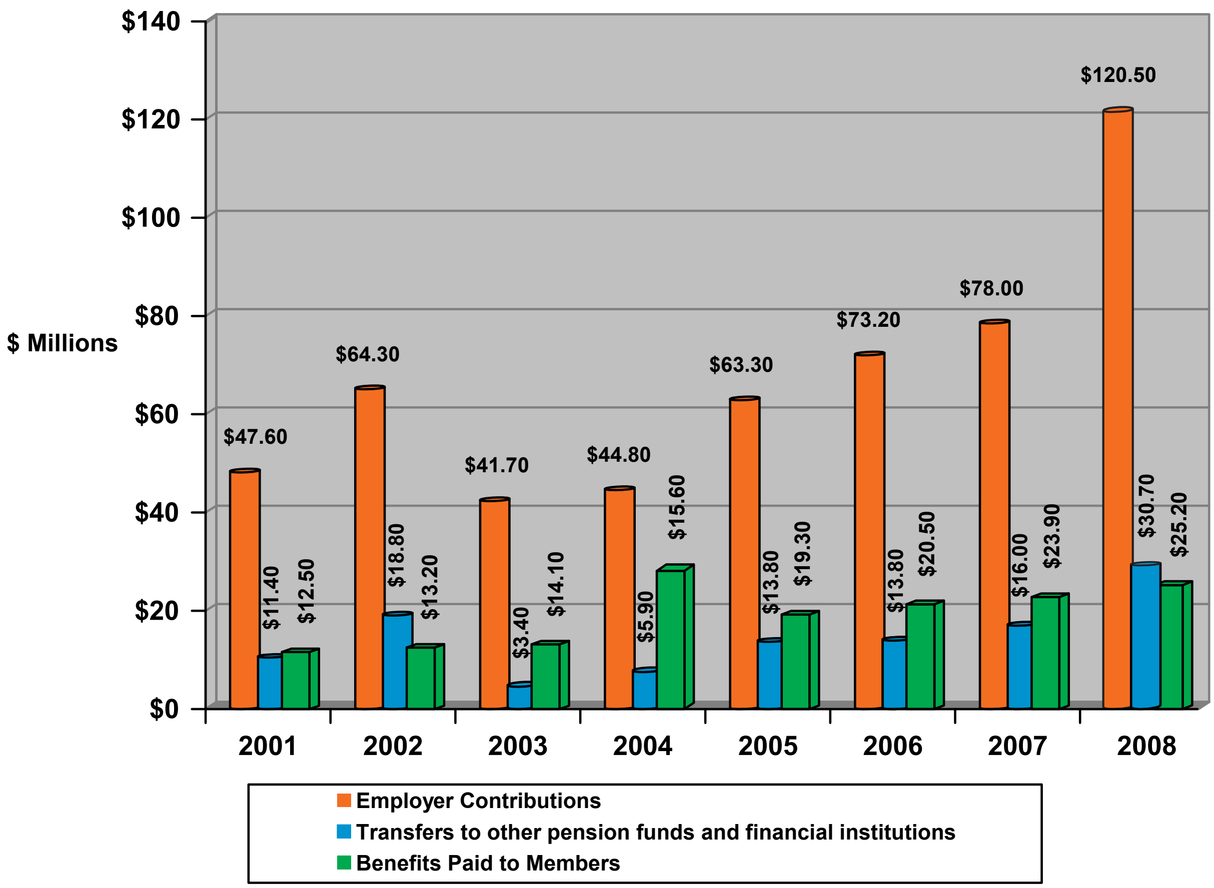


Pension Fund Contributions

During Fiscal 2008, contributing employers paid $120.5 million into the Pension Fund on behalf of members, compared to $78 million in Fiscal 2007.

From the $120.5 million received, the Pension Fund transferred $30.7 million to other pension funds and financial institutions on behalf of members who were subject to reciprocal agreements or who terminated membership in the Pension Plan.

During Fiscal 2008, the Pension Fund paid $25.2 million ($23.9 million in Fiscal 2007) in pension and disability benefits, an increase of more than 5% when compared to Fiscal 2007 benefit payments.

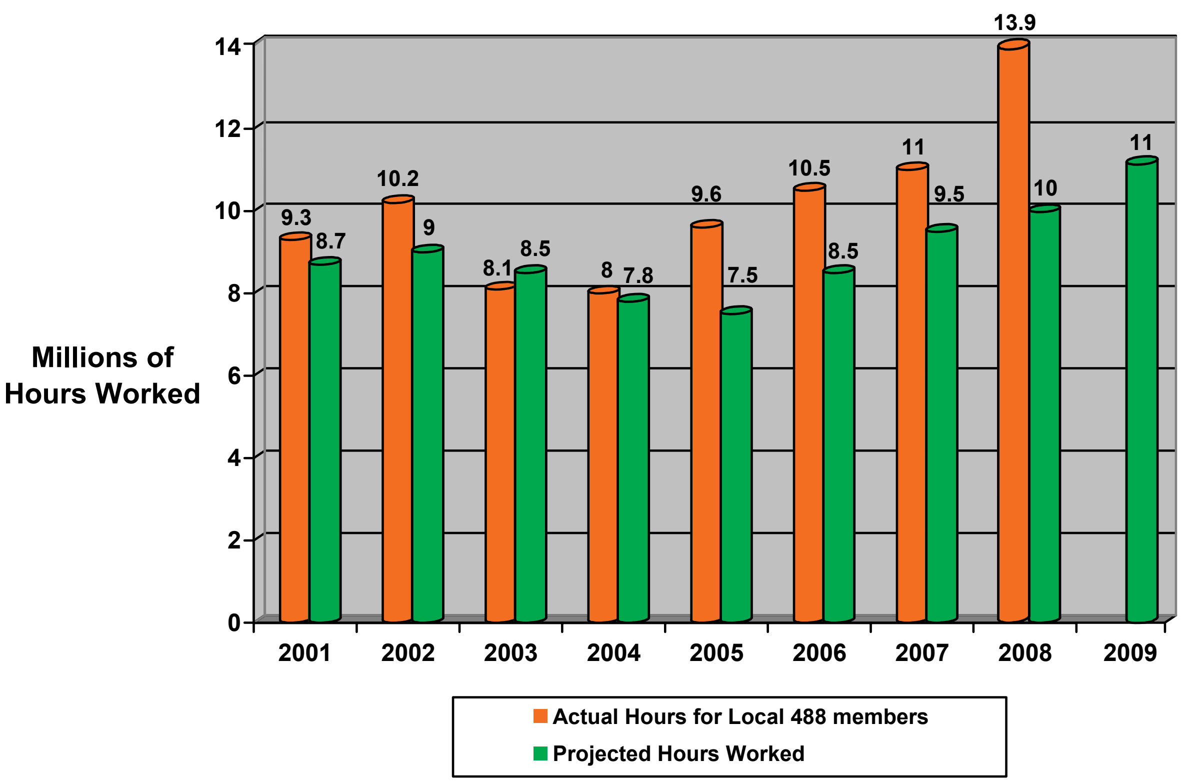


Employer Contributions and Hours Reported to the Pension Fund

During the fiscal year ended September 30, 2008, the Pension Fund received employer contributions based on 19.8 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 5.2 million hours to other pension funds on behalf of union members who were not members of Local 488. The hours earned by retired members were 694,000. Therefore the net contributions to the Pension Fund were based on 13.9 million hours worked by Local 488 members.

For Fiscal 2009, the Pension Plan is using an assumption that 11 million hours will be worked by Local 488 members. The Trustees gather information about the work outlook for Local 488 members from many sources including Local 488 and other credible forecasts. The Trustees' assumption for hours worked, used for actuarial valuation purposes, is also discussed with the Pension Plan's actuary. The Trustees consider the hours worked assumption to be realistic and with sufficient margin in case there is a downturn in the work available to Local 488 members.

PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2001 – 2009



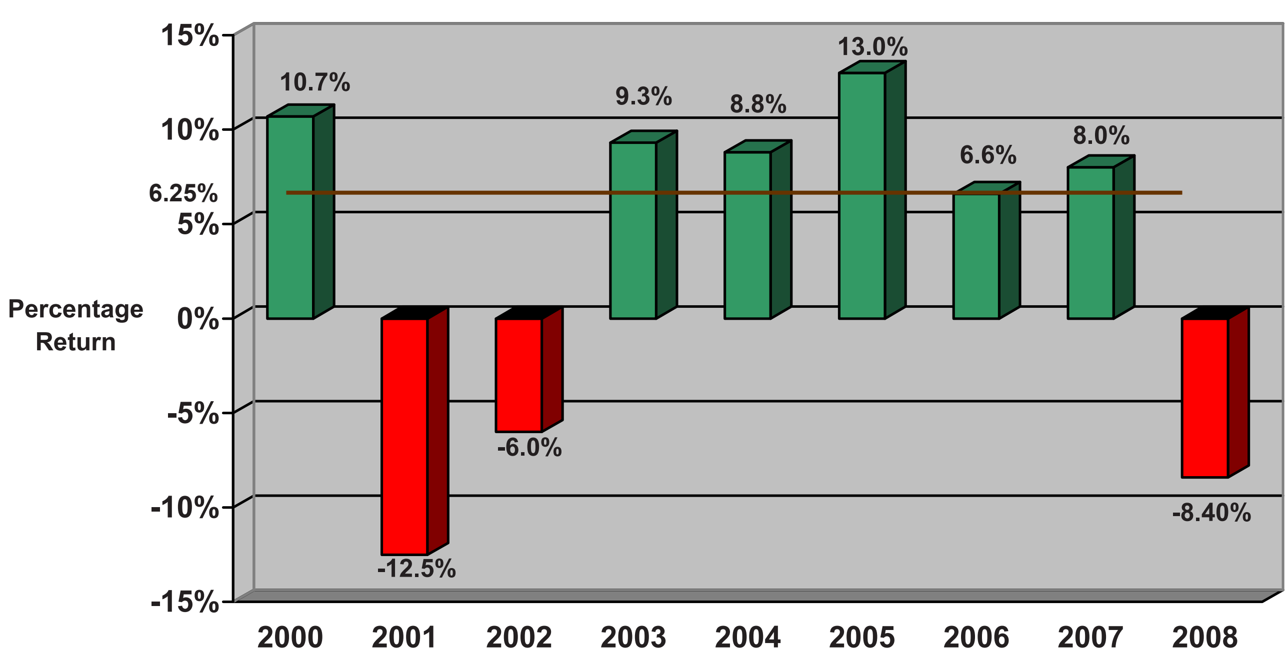
Pension Fund Investment Rate of Return

The major market returns for the year ended September 30, 2008 were;

Market	Return for the Year Ended September 30, 2008
Canadian Equity	-14.4%
Canadian Bonds	4.6%
Non Canadian Equity	-20.2%
Treasury Bills	3.7%

For the 2008 fiscal year, the Pension Fund earned a negative rate of return of 8.41%. As you will see from the chart below, this is not the lowest rate of return in recent history. The Fund had five consecutive years of positive returns -- a winning streak now ended by this year's negative return. The Pension Plan's actuarial target investment return is 6.25%. The chart below reveals the economic peaks and valleys (gains and losses) and underscores the concept that investment markets are volatile. We must always take into consideration that there is downside risk to any investment. The Pension Fund's investment advisors continue to recommend that the Trustees' future investment return expectations not exceed 8% on a long term basis. When the Trustees include margins for poor investment performance, the result is an assumed long term investment rate of return of 6.25%. This assumption is revisited every year to consider whether there is a reason to change the actuarial assumption based on the consensus for future market returns. The Trustees will consider what investment rate of return assumption is valid for the Plan's next actuarial valuation.

THE PENSION FUND'S ANNUAL RATE OF RETURN 2000 - 2008



Report on Pension Fund Investments

During Fiscal 2008 the Trustees completed the first phase of a due diligence process which resulted in a change to the target asset allocation of the Fund. A change in the asset allocation was reasonable because, in Fiscal 2007, the Pension Plan had achieved the goal of paying its unfunded liability. The table below outlines how the Pension Fund's assets will be allocated among different classes of investments.

Asset Class	Guidelines set by Statement of Investment Policies and Procedures			Actual Allocation as of September 30, 2008 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	0%	4%	11.1%
Private Equities	0%	10%	20%	0.7%
Publicly Traded Equities (Canadian)	10%	20%	30%	18.7%
Publicly Traded Equities (Foreign)	10%	20%	30%	27.2%
Fixed Income (Bonds)	20%	30%	40%	42.3%
Real Estate	3%	10%	20%	0%
Infrastructure	3%	10%	20%	0%

Members will note that, for the first time, there are new target allocations given to real estate and infrastructure and that the Fund's target allocation to fixed income (bonds) has decreased. During Fiscal 2009 the new asset allocations set out above will be deployed. In some cases the full target asset allocation will not be met in Fiscal 2009 since non-traditional investments such as real estate, private equity and infrastructure have very different cash requirements, and investment patterns are often not even or fully predictable because they rely on "deal flow".

The amount of cash and cash equivalents is notable because, in the long term, the Trustees plan on holding no assets in this class. However, during Fiscal 2008, it was necessary to build up cash in order to invest in real estate and infrastructure during Fiscal 2009. In addition, due to financial market volatility, the Trustees, and the professional investment managers retained by the Fund, believed it was prudent to hold cash reserves. In early Fiscal 2009 most of the cash reserves were invested in real estate. The professional investment managers also began to deploy cash assets because of the strong belief that equity markets were largely undervalued.

One of the improvements the Trustees made to the governance structure of the Fund is the enhanced performance measurement of its investment managers. On a quarterly basis, the Trustees review detailed information which shows the rate of return of each investment manager and for each asset class in which investments have been made. The Trustees believe that peer measurement, with appropriate comparative information, is important to the good management of the Fund. For the year ended September 30, 2008 the Fund's investment performance ranked above the average when compared with other pension fund returns. Detailed analysis will be an important element in the future management of the Fund.

The Trustees have begun to employ an important analytical tool called "value at risk". Value at Risk (VAR) is used to determine how current investment managers and asset classes will work together in the future. Prospective investment managers (such as those for real estate, infrastructure or even equities) can be measured on a total Fund basis and the Trustees can obtain good insight into the upside and downside risk of the Fund's investments. Absolute return is not the only goal of the Trustees – it is important to temper returns with risk controls.

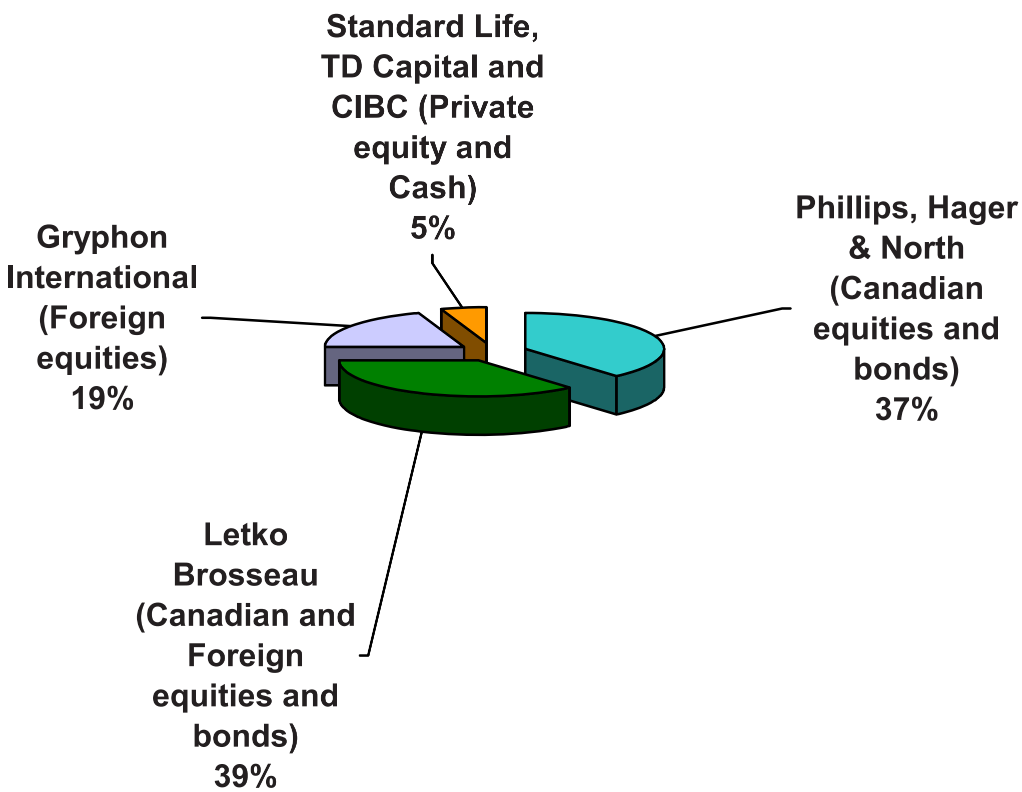
Even though the Pension Fund incurred an investment loss in Fiscal 2008 of $50.3 million (compared to a gain of $42.4 million in Fiscal 2007) the Trustees carry out a solid program of investment of Fund assets which is consistent with our mission:

"To contribute to the well being of the Plan Members and Beneficiaries by providing reasonable retirement pensions and related benefits based on the financial resources available from The Edmonton Pipe Industry Pension Trust Fund."

This mission is constantly taken into consideration as the Trustees make investment decisions. The Trustees' principal objective is to protect the pension promises which have been made.

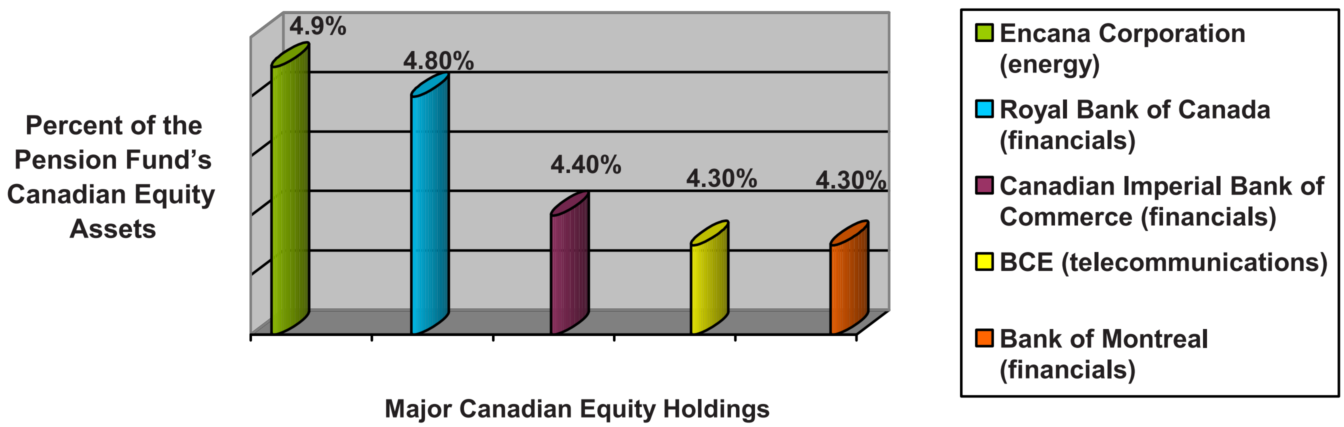
The Trustees know that Fiscal 2009 will be a difficult year for investment markets and, by extension, for the Pension Fund. It is possible that no financial market will produce a positive rate of return in Fiscal 2009. The Trustees will continue to monitor the investment markets and will make the adjustments, if any, which they believe are necessary when it is prudent to take action.

Five independent investment managers manage the Pension Fund's investments. The Fund's Custodian, CIBC Mellon, manages the Fund's short term cash assets. The Trustees have a cash management policy which leads to the monthly evaluation of cash flow requirements and allocation of Cash pursuant to the approved direction of the Trustees. The allocation of Fund assets to the independent investment managers, as at September 30, 2008, is illustrated as follows:

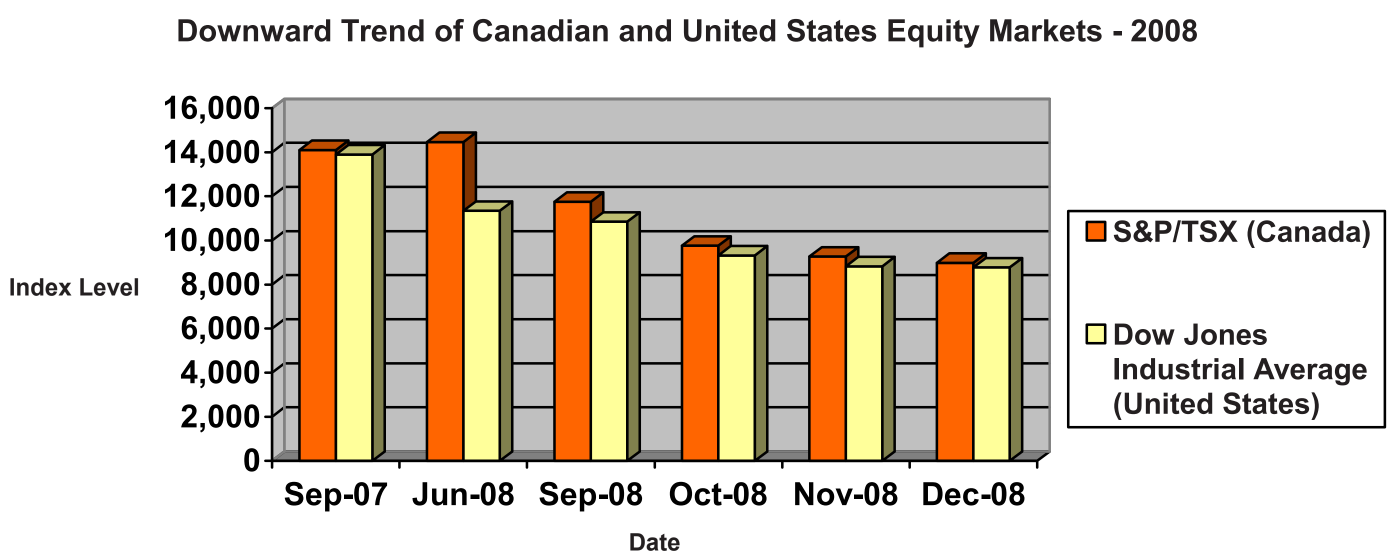


Equities

At the end Fiscal 2008, the Pension Fund had $107.4 million, or 18.7% of its assets, invested in Canadian equities. In the Canadian equity market the information technology, energy, utilities and industrials sectors were a drag on returns, particularly in the last quarter of Fiscal 2008. The energy sector, which has been highly volatile over the last three years, had a return of 14.7% in Fiscal 2007 and lost 28% in the quarter ended September 30, 2008. The Fund's largest Canadian equity holdings at September 30, 2008 were:



The one year return of the Canadian equity market was negative 14.4%. All of this loss took place in the last quarter of Fiscal 2008 --- the market return in that final quarter was negative 18.2%. Small cap equities were punished the most in Fiscal 2008, producing a one year return of negative 30.5%. The one year return of the Canadian equity market at September 30, 2007 was 22.8%. The chart below shows the speed of the market decline during 2008:



Equities (Cont'd)

The Pension Fund had $155.7 million, or 27.2% of its assets, invested in non-Canadian publicly traded equities. The United States equity market had a negative return of 16.5% in Fiscal 2008. The decrease in the value of the Canadian dollar greatly enhanced returns from foreign markets this year. From October 1, 2007 to September 30, 2008, the Canadian dollar lost 6.5% compared to the United States dollar. A further slide continued to December 2008 by which time our Loonie lost 16% of its value vis a vis the US dollar – mostly because the price of a barrel of oil dropped from $140 USD to less than $40 USD. The only currencies, against which the Canadian dollar was strong during Fiscal 2008, were the British pound, the Australian and New Zealand dollar and the South African rand. Our currency's value is highly dependent upon the price of commodities and therefore a decline in worldwide demand for energy and other raw materials will be a theme we monitor during Fiscal 2009.

The European, Australian and Far East equity market returned a negative 20.2% in Canadian dollars. Even though all equity markets produced negative returns by the end of Fiscal 2008, the Trustees know that it is important to keep a diversified portfolio of investments to protect the Fund, as much as possible, from the volatility risk in the markets.

In the 2007 Annual Report we noted that a global financial crisis was already creeping into headlines. Early information about United States subprime lending problems was making news. Now we know that this information was just hinting at the start of an implosion of investment markets fueled by fears about lack of credit availability, poor consumer confidence and recession. Some believe we are now in a depression.

The Pension Fund has a Statement of Investment Policies and Procedures which sets out guidelines for a prudent asset mix strategy of the Fund. The Trustees retain professional investment managers to implement the asset mix strategy. Investment managers are given discretion over the target asset mix and are expected to use their discretion to benefit the Fund either by excess returns, lower risk, or both. As we mentioned above, investment managers are always subject to ongoing monitoring and measurement against performance targets established by the Trustees. The Trustees retain independent investment counsel to measure the result of the Fund's investments and to provide ongoing guidance about markets and how to best approach emerging investment issues.

Fixed Income

At the end of the fiscal year, the Pension Fund's fixed income investments totaled $242.4 million which is approximately 42.3% of the Pension Fund's total assets. Fixed income investments include corporate bonds as well as bonds issued by Canadian federal and provincial governments. For the year ended September 30, 2008 the broad based Canadian bond market return, measured by the DEX Universe, was 4.6%.

Fixed Income (Cont'd)

In the 2006 Annual Report we informed members that the Pension Fund's Statement of Investment Policies and Procedures was amended so that the majority of the Fund's fixed income assets would be invested in long duration Canadian bonds. This asset allocation decision was made to correspond with the belief that long duration bonds behave in the same manner as the Pension Plan's liabilities.

During the fiscal year ended September 30, 2008, the Long-Term bond index return was 2.2%. It is interesting to note that, notwithstanding that the market upheaval which resulted in negative returns in equity markets began in the fixed income market, bonds were the only asset class to earn positive returns in 2008. However, depending upon the bond sector, negative returns were possible during Fiscal 2008. For example, Corporate bonds had a negative return of 1.9% in the quarter ended September 30, 2008. This return reflects the general nervousness of investors about the stability of business. The best performing bond class was Government of Canada bonds which had a return of 0.9% for the quarter ended September 30, 2008. There is still an indication that interest rates will continue to trend downward for some time, particularly as governments immerse the economy with cash and encourage lenders to extend important financing. This should have a positive result on the Fund's long-term bond investments.

Investment Policy

In our 2005 Annual Report we advised members that the Trustees had retained Mercer Investment Consulting to conduct a study of the Pension Fund's assets and liabilities. That initial study was further enhanced during Fiscal 2007, and Fiscal 2008, by Value at Risk work completed by Asset Performance Inc. The newest study has proven to be valuable to the Trustees as they consider Fund investments and investment managers. As noted earlier, the Trustees believe that it is important to further diversify the Fund. During Fiscal 2009 the Trustees will make additional commitments to private equity, real estate and infrastructure. In total, it is the goal of the Fund to have 30% of its assets invested in these asset classes because the Trustees believe they are important stabilizers of long term returns.

Investment policy sets out the Trustees' long term objectives for asset allocation. It is critical that the Fund retain the most appropriate mix of investment managers to carry out the asset allocation strategy. The Trustees employ special skills in the evaluation of existing and prospective investment managers to the Fund and will make the necessary changes when changes are indicated.

PENSION PLAN BENEFITS – FUNDING AND BENEFITS POLICY

Due to the early impact of the economic recession and financial market meltdown, the Plan faced a setback in its path toward sustained fully funded status. At the end of Fiscal 2007 the Plan had a funded status of 102% and a small surplus of $12.4 million. Once all of the factors relevant to the cost of the Plan during Fiscal 2008 were considered, the Plan ended up with an unfunded liability of $37.8 million and a funded ratio of 94%. This new unfunded liability arises entirely due to investment earnings which were weaker than the Plan's assumption. The market losses negatively impacted the Plan's funded status by the amount of $86.9 million. The current unfunded liability is not of great concern as it can be amortized by the excess contributions received by the Fund. However, since the market meltdown worsened in the first quarter of Fiscal 2009, we should prepare ourselves for a weaker funded status when measured at the end of the Plan year. It is not anticipated that there would need to be any changes in benefits or contributions as these elements of the Plan's funding are in good shape. However, the goalposts of the Plan's fully funded status have been moved.

On a solvency basis, the Plan's solvency funding ratio declined from 97% at the end of Fiscal 2007 to 86% at the end of Fiscal 2008. The Plan had a solvency deficiency of $93.1 million at the end of Fiscal 2008. The difference between the unfunded liability of $37.8 million calculated above, and the solvency deficiency, arises due to the assumptions prescribed by the Alberta Employment Pension Plans Act. In particular, for the purpose of a solvency valuation, the actuary must assume that the future net investment rate of return will be 4.42%, not 6.25% as assumed by the Plan. Further, the actuary must include prescribed forecasts of future increases in life expectancy when calculating the solvency position of the Plan. The Plan receives sufficient excess contributions to amortize this deficiency as prescribed in the pension legislation governing the Plan. Some of the same factors described in connection with the unfunded liability will come to bear on the Plan's solvency position at the end of Fiscal 2009. These factors will be the assumed rate of interest in a period of declining interest rates, used in monetary policy to stimulate the economy. This could have a significant impact on the Plan. In addition, the Plan's actual investment rate of return for Fiscal 2009 will greatly impact the funded status of the Plan. We expect, given the outlook for Fiscal 2009, that the Plan's solvency deficiency will worsen and this will be shown in the Plan's actuarial valuation as at September 30, 2009.

The Plan has a Funding and Benefits Policy and it sets guidelines as to when the Trustees may review changes to the benefits provided by the Plan. During Fiscal 2008, the guidelines in the Policy allowed the Trustees to consider making benefit improvements. However, when this consideration was matched against our principal goal of ensuring that any benefits given by the Plan are sustainable, the Trustees decided to defer the decision about benefit improvements. Prudence must dictate all of our actions. The Trustees believed, as we watched the financial crisis unfold in the first quarter of Fiscal 2009, the best approach would be to wait until the financial markets stabilize, then the Trustees would undertake to evaluate the Plan's financial position at that time and consider the outlook for contributions in the future. Once the Trustees have a more positive view about the financial markets and their impact on the Plan, we will be in a position to carry out a review of Plan benefits.

When this review is carried out, the Trustees will be guided by the following criteria for our benefit improvement decisions:

a) the proposed benefit improvements cannot cause the funded ratio of the Plan, on a solvency basis, to fall below 85%; and

b) the total hourly actuarial cost of benefits will not be more than 90% of the contribution rate.

If benefit improvements can be considered, the Trustees have agreed upon the following additional parameters:

a) the pension accrual rate will be adjusted to reflect the contribution rate paid to the Pension Fund. Although contributions to the Fund have increased since 1992, there has been no increase in the benefit accrual rate of $87.00 for every 1,800 hours worked. The higher contributions received by the Fund have been used to pay down the Plan's unfunded liabilities.

b) benefits to active and retired members will be improved if it is determined that the funding is available due to better than anticipated returns on investments. If this is found to be the case, the funding excess will be used for benefit improvements on a prorata basis. This basis will reflect the assets attributed to retired members and those attributed to active members.

As we stated in the 2007 Annual Report, the Trustees believe that priority should be placed on improving the pension accrual rate. More than 16 years have passed without an increase in the pensions earned by active members even though the contribution rate has increased over that time. We need to balance this objective by understanding that pensioners have not received an increase in their fixed monthly income from the Plan since 1998 notwithstanding that their cost of living has likely increased.

Effective January 1, 2007 the Plan was amended to allow a defined contribution benefit accrual for retired members who return to work in participating employment. In Fiscal 2008 the cost of this benefit was $6 million. This benefit cost the Plan $2.4 million in Fiscal 2007.

We hope that, by clearly articulating the steps the Trustees follow in the consideration of the benefits the Plan provides, members will have an increased understanding of a key governance element of the Plan.

ACTUARIAL VALUATION

Membership Data	**2008**	2007	2006	2005	2004	2003	2001
Number of active members	**8869**	7122	6283	5937	5193	5488	5547
Average age of active members (in years)	**38.9**	40.1	40.1	40.1	41.1	40.5	40.2
Average hours worked	**1755**	1696	1802	1696	1633	1668	1979
Number of pensioners (including disabled)	**1977**	1831	1704	1597	1488	1404	1308
Average age of pensioners (in years)	**68.7**	68.7	68.6	68.5	68.5	68.4	68.2

An actuarial valuation is a sophisticated mathematical tool prepared by a certified actuary. The actuary uses accepted actuarial standards to estimate the future rate of growth of the Pension Plan's liabilities and matches this against the expected assets of the Pension Fund. The actuary takes into consideration the negotiated contribution rate established in the collective agreements and the estimated number of hours to be worked by the Plan's members.

The Trustees have decided to have the valuation prepared every year although pension legislation would allow for this report to be conducted only every three years. The Trustees consider that this information is critical to understanding how the Plan is evolving compared to the assumptions made about its future. The valuation informs the Trustees about whether the benefits promised by the Plan remain sustainable in the future. Depending upon the outcome of the valuation, the Trustees may consider improvements to benefits, or reduction to them. All of the changes contemplated by the Trustees must be compliant with all of the legislation governing the Plan.

Each year the Trustees review the assumptions to be included in the actuary's preparation of the upcoming actuarial valuation. The Trustees are confident that the Plan's assumptions continue to be realistic forecasts about the Plan's future and that the assumptions include a reasonable margin for poor experience in investments or Plan demographics. Depending upon future investment market activity, the Trustees may need to revisit the Plan's assumption for future investment earnings.

There are many assumptions included in the preparation of an actuarial valuation. The two most important assumptions are:

- *The rate of return that the Pension Fund's investments will earn.* This assumption predicts the future growth of the Pension Fund's assets.

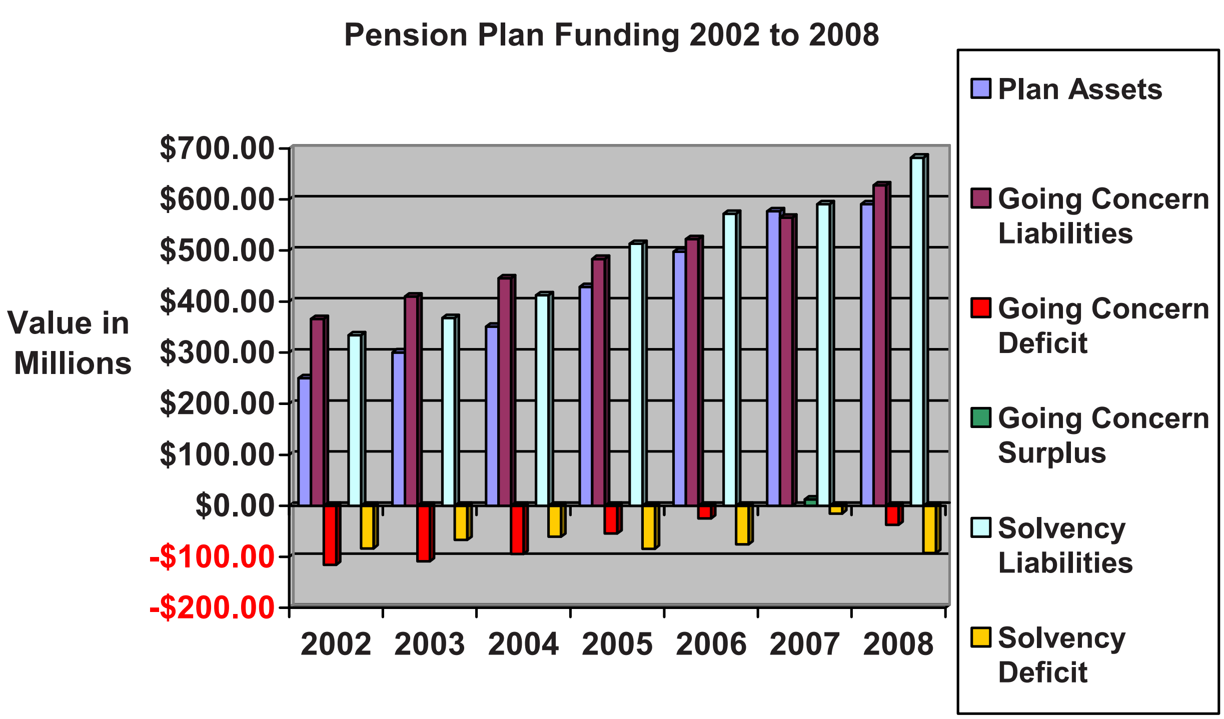
  For the 2008 valuation, the target rate of return on Fund investments continued to be 6.25%. This is the average rate that the Pension Fund is expected to earn in the long term. However, over short periods of time, the Fund's actual investment returns will be higher or lower than our 6.25% average return expectation. The Plan's investment return assumption is based on a full study of financial market behavior and the return expectations of economists and investment professionals. This actuarial assumption was confirmed by the asset liability study completed by the Trustees.

ACTUARIAL VALUATION (Cont'd)

- *The number of hours each member will work in the future.* This assumption predicts the amount of contributions the Pension Fund will receive each year. The contribution rate is set out in the collective agreement and is a defined amount to be paid per hour worked. The more hours worked by Local 488 members, the higher the total amount of contributions that are paid to the Pension Fund. Contributions are invested and are used to pay the Plan's benefits. For the fiscal year ended September 30, 2008, Local 488 members worked a total of 13.9 million hours, substantially more than the forecast of 10 million hours. For Fiscal 2009 the Plan's assumption is that Local 488 members will work 11 million hours. The assumption regarding hours worked is closely monitored and revisited every year.

For the fiscal year ending September 30, 2008, the actuary provided an Actuarial Cost Certificate which confirms that the current employer contribution rate is sufficient to meet the Pension Plan's current service and special solvency payment requirements. Based on the Plan's projections for investment income and hours worked, and assuming no benefit improvements are made, the Plan's solvency deficiency will be eliminated by the end of Fiscal 2013. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

The Pension Plan's funding status from 2002 to 2008 is shown in the illustration:



Roles and Responsibilities

A number of parties are responsible for ensuring that the Pension Trust Fund and the Health and Welfare Fund are maintained in a financially sound way that will provide pension and health benefits for members over the long term. They include:

Board of Trustees

The Board of Trustees has overall responsibility for the Pension Trust Fund and the Health and Welfare Fund, including supervision of the administration services provider, the investment managers and others. The Board is also responsible for the approval of the annual audited financial statements. The Board is made up of:

- four trustees elected by Local Union 488 members,
- three independent trustees selected by a nominating committee comprised of a representative of Local Union 488 and Construction Labour Relations – Alberta (CLRa). Included in this group is the independent chairman.

The Board's Audit Committee meets with the administration services provider and the external auditors to review the financial statements and examine other auditing and accounting matters. The committee examines the quality of the financial statement disclosure, the accounting principles applied and any significant judgments affecting the financial statements. The audited financial statements in this Report have been approved by the Audit Committee and the Board of Trustees.

Administration services provider

The administration services provider is appointed by the Board of Trustees and manages the Pension Trust Fund and the Health and Welfare Fund, and is responsible for providing quality service to the members. The administration services provider develops and maintains high-quality systems for internal accounting and administrative control. These systems are designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, financial information is accurate and reliable, and assets are appropriately accounted for and adequately safeguarded. The administration services provider is also responsible for preparing financial statements in accordance with Canadian generally accepted accounting principles.

Actuary

The actuary is appointed by the Board of Trustees and carries out an annual valuation of the Pension Plan's actuarial liabilities in accordance with accepted actuarial principles. This process involves analyzing the benefits to be provided under the Pension Plan, including any increases to benefits. The actuary also provides advice to the Board of Trustees on funding and benefit policies, asset and liability structure, and other matters.

External auditors

The external auditors are appointed by the Board of Trustees. Their responsibility, the scope of their examination and their opinion is set out in the Auditors' Report. The external auditors have full and unrestricted access to staff of the administration services provider and the Audit Committee to discuss any findings related to the integrity of the financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The external auditors rely on the work of the actuary for the actuarial liabilities disclosed in the notes to the financial statements.

Custodian

The custodian holds the Pension Fund's assets and executes trades under the direction of the Pension Fund's investment managers. The custodian is appointed by the Board of Trustees.

Investment managers

The investment managers each direct a portfolio of assets on behalf of the Pension Trust Fund or the Health and Welfare Fund. Investment guidelines are set by the Board of Trustees and communicated through a Statement of Investment Policies and Procedures. The investment managers are appointed by the Board of Trustees.

Investment consultant

The investment consultant is appointed by the Board of Trustees. The consultant is responsible for providing advice in respect of an appropriate asset mix which is designed to protect the benefits promised to members of the Pension Plan. The investment consultant is also engaged to review the performance of the investment managers and to make recommendations about the selection, and retention, of investment managers.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Pension Trust Fund

We have audited the statement of net assets and accrued pension liability of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2008 and the statements of changes in net assets available for plan benefits and changes in funding excess (unfunded liability) for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Pension Trust Fund. 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 and accrued pension liability of The Edmonton Pipe Industry Pension Trust Fund as at September 30, 2008 and the changes in net assets available for benefits and funding excess (unfunded liability) for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 8, 2008

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Net Assets and Accrued Pension Liability

September 30, 2008, with comparative figures for 2007

	2008	2007
ASSETS		
Investments (Schedule 1)	$ 573,149,456	$ 565,798,082
Cash	11,970,519	8,216,205
Contributions receivable	11,707,012	6,860,266
GST recoverable	107,330	153,732
Prepaid expenses and deposits	7,348	272
Cash surrender value of life insurance policy (note 7)	173,212	166,180
	597,114,877	581,194,737
LIABILITIES		
Accounts payable and accrued liabilities	953,728	806,139
Amounts due to other pension funds (note 3)	5,850,260	3,124,763
Retirement benefit obligation (note 7)	170,765	178,869
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 5)	60,752	102,249
	7,035,505	4,212,020
Net assets available for benefits	590,079,372	576,982,717
Accrued pension liability (note 6)	627,935,372	564,541,717
Funding excess (unfunded liability) (note 6)	$ (37,856,000)	$ 12,441,000

Statement of claim (note 4)

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Contributions received:		
Employer contributions	$ 115,699,209	$ 75,332,247
Pension credits and reciprocal transfers	4,788,467	2,667,112
	120,487,676	77,999,359
Terminations and reciprocal transfers	(30,742,321)	(16,023,907)
	89,745,355	61,975,452
Net investment and other income (loss):		
Net investment income (loss) (Schedule 2)	(50,323,397)	42,399,292
Other income, net	56,598	54,839
	(50,266,799)	42,454,131
Payments made		
Pension and disability benefits	(25,206,295)	(23,931,084)
Administrative expenses (Schedule 3)	(1,175,606)	(1,012,547)
	(26,381,901)	(24,943,631)
Increase in net assets	13,096,655	79,485,952
Net assets available for benefits, beginning of year	576,982,717	497,496,765
Net assets available for benefits, end of year	$ 590,079,372	$ 576,982,717

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Funding Excess (Unfunded Liability)

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Funding excess (unfunded liability) at beginning of year	$ 12,441,000	$ (25,053,000)
Interest at 6.25% on funding excess (unfunded liability)	778,000	(1,566,000)
Net experience gains (losses)	(87,219,000)	9,352,000
Special payments to eliminate the unfunded liability and solvency deficiency	46,201,000	29,674,000
Impact of changes in assumptions and methodology	(9,754,000)	-
Net impact of other elements of gains and adjustments	(303,000)	34,000
Funding excess (unfunded liability) at end of year	$ (37,856,000)	$ 12,441,000

See accompanying notes to financial statements.

Note 1

Description of the Plan

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations - an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated October 1, 1968 (the "Pension Trust Agreement") which has been amended and restated as of August 13, 2007. The Pension Trust Agreement provides for the establishment, maintenance, investment and administration of a trust fund known as The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund") created pursuant to The Edmonton Pipe Industry Pension Plan (the "Plan") which includes all restatements and amendments to September 30, 2008. The Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 1, 1965 (the "Collective Agreement") and renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011.

The following is a brief summary of the main provisions of the Plan in effect on September 30, 2008. It is not intended as a complete description of the Plan. For more complete information, reference should be made to the Plan documents.

(a) Eligibility for membership:

The Plan covers employees of the Party Employers that are bound by the Collective Agreement to contribute to the Pension Fund and other parties as determined by the Plan.

(b) Membership and credited service:

Members receive credit for hours earned. For each full 100 covered hours, a member earns a monthly pension credit of $4.83 for service on and after October 1, 1992.

(c) Contributions:

Members do not contribute to the Pension Fund. Employers contribute to the Pension Fund at the rate specified in the Collective Agreement.

(d) Retirement dates:

(i) Normal retirement date:

The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday.

Note 1

Description of the Plan (Cont'd)

(d) Retirement dates (Cont'd):

(ii) Early retirement date:

If a member has a vested pension, the member may choose to retire as early as age 55.

(iii) Postponed retirement:

Pension commencement may be postponed, and pension credits may continue to accrue up to the end of November of the year during which the member attains age 71.

(e) Retirement benefits:

(i) Normal retirement:

If a member retires on his normal retirement date, the member will be entitled to the pension that was accrued prior to retirement.

(ii) Early retirement pension:

If a member retires early, he will be entitled to a pension that is calculated the same way as for a normal retirement. If the member does not qualify for the special early retirement pension:

1. His earned pension is actuarially reduced from age 65; or
2. For a qualified member retiring after age 60, his earned pension is reduced by 3 percent for each year that his actual retirement age precedes the normal retirement age.

A qualified member retiring after attaining age 58, but prior to his normal retirement age, is entitled to a special early retirement pension if the sum of his age and years of credited service equal at least 80 points for ages 58 and 59, and 75 points after age 60, provided he has at least 15 years of credited service. The special early retirement pension is an unreduced pension commencing on his early retirement date.

(iii) Postponed retirement pension:

A member may elect to postpone retirement. In that case, benefits continue to accrue.

Upon the member's actual retirement date, he will be entitled to his accrued benefit without any actuarial adjustment or increase.

Note 1

Description of the Plan (Cont'd)

(f) Survivor benefits:

(i) Death prior to receipt of a pension:

If a member not in receipt of a pension dies after accruing a vested pension, his surviving spouse shall receive an immediate lifetime pension. The amount of monthly pension payable to her is the lesser of the amount of the monthly pension earned by the member prior to his death or 66-2/3% of his earned pension plus the amount he would have earned had he worked to age 65, subject to the minimum standards under the Employment Pension Plans Act.

No death benefit is payable in respect of any accrued pension which was not vested in the member at the time of his death. Benefits earned prior to October 1, 1999 vest after the member completes five years of vesting service. Benefits earned after September 30, 1999 vest after the member completes two years of vesting service.

If a member dies without a spouse after obtaining two years of vesting service, the member's beneficiary or estate shall receive the commuted value of any vested pension earned after September 30, 1999.

(ii) Death while in receipt of a pension:

For a member in receipt of a pension who does not have a spouse at the time of his death, all payments would cease upon the death of the member.

For a member who retired prior to January 1, 1992 who has a spouse at the time of his death, 75% of his monthly pension will be payable to his spouse after his death. For a member who retired on or after January 1, 1992 who has a spouse at the time of his death, the normal form of pension provides that 66-2/3% of his monthly pension will be payable to his spouse after his death.

Notwithstanding the foregoing, for a member who retired prior to the introduction of the long-term disability plan who dies prior to age 65 while in receipt of a disability pension, the spouse shall receive a survivor pension equal to the lesser of 66-2/3% of the monthly pension the member was receiving at the time of his death and the amount of pension accrued by the member to the date of his death.

For any member who elected an optional form of pension at the time of his retirement, any applicable survivor benefits will be payable in accordance with the terms of the optional form of pension chosen.

Note 1

Description of the Plan (Cont'd)

(g) Termination benefits:

A member terminating membership in the Plan after seven years of vesting service is entitled to receive a deferred pension from the Plan. A member terminating membership in the Plan after five years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1986. A member terminating his membership in the Plan after two years of vesting service is entitled to a deferred pension from the Plan in respect of his credited service after October 1, 1999. A member terminating membership before two years of vesting service is not entitled to receive any benefits from the Plan.

The normal, special and early retirement provisions applicable to a qualified member with deferred pension entitlements correspond to the provisions applicable to a qualified member as noted under the Retirement benefits section above. For other members entitled to deferred pensions, the pension is payable commencing at age 65. However, a member may elect to receive an actuarially reduced early retirement pension as early as age 55.

If a member is entitled to a deferred pension, he may also transfer the commuted value of that pension into another retirement vehicle in accordance with the applicable federal and provincial legislation.

(h) Disability:

A member who is in receipt of benefits from the long-term disability plan sponsored by The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund") shall be credited with deemed hours of covered employment at the average rate earned by all active members during the previous plan year.

All other members with a vested pension who become totally and permanently disabled are entitled to receive an immediate monthly pension equal to the vested pension earned prior to their becoming disabled.

(i) Post retirement benefits for retired members:

An amendment to the Pension Plan was approved by Trustees on September 7, 2007, effective January 1, 2007, to permit contributions for retired members under Age 71 returning to work with a contributing employer to accrue for the benefit of the retired member. The contributions received by the Pension Fund, for work periods after the retired members' initial retirement date, are held with the general assets of the Pension Fund and are immediately vested. Upon subsequent retirement, a benefit will be transferred to a Locked-In Retirement Account (LIRA) on behalf of the retired member.

Note 2

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of certain assets and liabilities is dependent upon future events and/or actuarial valuations, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Basis of presentation:

These financial statements present information about the aggregate financial position of the Pension Fund and the net assets available to meet future benefit payments. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments:

Investments are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of the investments is determined as follows:

a. Cash and cash equivalents are recorded at cost, which together with accrued interest income, approximates fair value.

b. Canadian and Non-Canadian equities and fixed income securities are valued on the basis of market prices.

c. Private equities are held through ownership in limited partnership arrangements. Fair value is determined based on relevant information reported by the General Partner using accepted industry valuation methods using valuations as of June 30, 2008 and September 30, 2008 being the most recently available market information. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows and third party transactions, or other events which would suggest a change in value of the investment.

The Pension Fund's investments are exposed to market risk due to changing equity market conditions and interest rate risk due to short-term changes in nominal interest rates. The Pension Fund manages market and interest rate risk by establishing investment mix limits. The Pension Fund is also exposed to credit risk arising from the potential of issuers of securities to default on their contractual obligations to the Pension Fund. Such risk is mitigated by limiting the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service. The Pension Fund is exposed to foreign currency risk arising from its holdings of foreign currency denominated equities and fixed income securities.

Note 2

Summary of significant accounting policies (Cont'd)

(c) Other financial assets and financial liabilities:

The fair value of other financial assets and financial liabilities approximate their carrying values. It is management's opinion that these financial instruments are not exposed to significant interest, currency or credit risks.

(d) Foreign exchange:

Foreign currency transactions are translated into Canadian dollars using daily rates. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Investment income recognition:

Investment income is recorded on the accrual basis and includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, dividend income and interest income.

(f) Common expenses:

Certain expenses are shared equally between the Pension Fund and The Edmonton Pipe Industry Health and Welfare Fund ("Health and Welfare Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

Note 3

Amount due to other pension funds

The Pension Fund has entered into reciprocal agreements with other pension funds. These agreements provide that contributions received on account of employees working outside of their union jurisdiction are remitted on a monthly basis to the Pension Fund of which they are a member.

Note 4

Statement of claim

A statement of claim was issued in the Court of Queen's Bench of Alberta by a plaintiff on June 26, 2002. In June 2003, four individuals applied to the Court and became substituted for the original nominal plaintiff, purportedly on behalf of all beneficiaries of the Plan. The statement of claim does not name the Pension Fund as a defendant but named the former general manager and 18 particular trustees. In August 2003, the four nominal plaintiffs commenced a Court application to have the Pension Fund pay their legal costs to advance the lawsuit. The plaintiffs' request for costs from the Pension Fund was denied at this stage of the litigation. In March 2004, the four plaintiffs renewed their request to the Court of Queen's Branch to have the Pension Fund pay their legal costs to advance the lawsuit. The request was again denied. On June 9, 2004, the plaintiffs filed an Appeal to the Alberta Court of Appeal. A Memorandum of Judgement was issued by the Appeal Court on October 27, 2005 whereby the appeal was allowed and interim costs were awarded to the plaintiffs from the Pension Fund through examinations for discovery, with leave to apply thereafter.

Note 4 (Cont'd)

Statement of claim (Cont'd)

On November 22, 2005, the Pension Fund established a Special Committee of the Board of Trustees, consisting of those trustees who are not named as defendants in the action, to have the responsibility for the management of this legal action. The Special Committee instructed legal counsel to proceed with an application to seek leave for this matter to be heard by the Supreme Court of Canada. The Supreme Court denied leave and the Court of Appeal Judgement allowing payment of the Plaintiffs' interim costs stands.

Since December 2005, the legal action has been under the supervision of a Case Management Justice of the Court of Queen's Bench of Alberta. The plaintiffs and defendants are represented by legal counsel with respect to the litigation of the merits of the claim. The Pension Fund has been added as an interested third party due to its role as payer of costs.

Since the commencement of the legal action, the former general manager and two trustees have been released from the lawsuit by the plaintiffs.

The costs to the Pension Fund will be limited to legal costs due to Court direction, indemnification obligations pursuant to the Trust Agreement and involvement in the action as indicated above.

The litigation expenses, as shown in Schedule 3, and the cumulative expense from the inception of the legal action to September 30, 2008, are as follows:

	From Inception	2008	2007
Legal fees – Pension Fund	$ 314,157	$ 30,249	$ 60,262
Legal fees – Plaintiffs	389,276	186,778	139,421
Legal fees – Defendants	88,302	6,871	25,765
Other expenses	10,056	2,573	-
	$ 801,791	$ 226,471	$ 225,448

Note 5

Due to The Edmonton Pipe Industry Health and Welfare Fund

The amount due to The Edmonton Pipe Industry Health and Welfare Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 6

Obligation for pension benefits

These financial statements do not purport to indicate whether the assets of the Pension Fund, together with investment earnings thereon, plus future contributions, will be sufficient to finance all benefits to be provided under the Plan. An actuarial valuation of the Pension Plan was carried out by Mercer Human Resource Consulting ("Mercer") and their determination of the funded position of the Pension Plan as of September 30, 2008 is set out below. The actuarial valuation is conducted on a going-concern basis whereby the relationship between assets and the value of accumulated benefits is determined, using the unit credit actuarial cost method assuming the Plan is maintained indefinitely.

The assumptions used in the valuation were developed as the best estimate of expected future market conditions and other future events. After consultation with Mercer, the Board of Trustees adopted this best estimate. The major assumptions used in the annual valuations, with the comparison to the actual, are as follows:

	2008		2007	
	Valuation assumption	Actual	Valuation assumption	Actual
Net investment return (loss)	6.25%	(8.41%)	6.25%	8.02%
Hours worked	10,000,000	13,945,386	9,500,000	10,994,312

The net investment return is net of all investment and administrative expenses.

Note 6 (Cont'd)

Obligation for pension benefits (Cont'd)

The plan's funded position on a going concern basis is as follows:

	2008	2007
	(000's)	(000's)
Net assets available for benefits	$ 590,079	$ 576,983
Actuarial liability – present value of accrued benefits for:		
Active members	$ 324,796	295,189
Pensioners and survivors	232,719	205,080
Disabled pensioners	30,043	30,028
Deferred pensioners	34,377	31,879
Post-retirement benefits for active retired members	6,000	2,366
	627,935	564,542
Funding excess (unfunded liability) as determined on a going concern basis	$ (37,856)	$ 12,441
Funded ratio	94%	102%

The Alberta Employment Pension Plans Act requires that a plan be valued on a solvency basis whereby the values of a plan's assets and liabilities are related to the corresponding values calculated as though the plan were wound up and settled on the valuation date. The solvency position as of September 30, 2008 has been determined by Mercer as follows:

Note 6

Obligation for pension benefits (Cont'd)

	2008	2007
	($000's)	($000's)
Net assets available for benefits	$ 590,079	$ 576,983
Termination expenses	(1,300)	(1,250)
Net value of assets available to provide benefits	588,779	575,733
Actuarial liability - present value of accrued benefits for:		
Active members	328,000	277,929
Pensioners and survivors	269,091	235,319
Disabled pensioners	35,336	37,865
Deferred pensioners	43,475	37,550
Post-retirement benefits for active retired members	6,000	2,366
Total solvency liability	681,902	591,029
Solvency deficiency	$ (93,123)	$ (15,296)
Solvency ratio (net assets available to provide benefits/total solvency liability)	86%	97%

Note 7

Retirement benefit obligation

In 1984, the Pension Fund entered into an executive compensation agreement to provide for a supplemental pension payable to the general manager employed by the Pension Fund. The liability for the supplemental pension is funded by a life insurance policy which names the Pension Fund as the beneficiary. As at September 30, 2008, the policy had a cash surrender value of $173,212 (2007 - $166,180. Payment of the pension commenced October 1, 2004 upon the retirement of the general manager.

Schedule 1

Investments

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Phillips Hager and North Investment Management Ltd.:		
Cash and cash equivalents	$ 3,605,056	$ 8,937,198
Canadian equities	65,058,132	58,875,203
Fixed income securities	145,739,270	141,923,320
	214,402,458	209,735,721
CIBC Global Asset Management Inc.:		
Cash and cash equivalents	24,147,874	5,655,024
	24,147,874	5,655,024
Letko, Brosseau & Associates Inc.:		
Cash and cash equivalents	35,729,870	21,334,145
Canadian equities	42,328,981	103,097,364
Non-Canadian equities	46,142,656	-
Fixed income securities	96,703,679	95,685,896
	220,905,186	220,117,405
Gryphon International Investment Corporation:		
Cash and cash equivalents	49,083	28,111
Non-Canadian equities	109,603,276	128,681,253
	109,652,359	128,709,364
Standard Life Investments (Private Equity) Limited:		
Cash and cash equivalents	-	35
Private equities	2,986,872	1,346,124
	2,986,872	1,346,159
TD Capital Private Equity Investors:		
Private equities	1,054,707	234,409
	1,054,707	234,409
	$ 573,149,456	$ 565,798,082

	$	%	$	%
Summary:				
Cash and cash equivalents	63,531,882	11.1	35,954,513	6.3
Canadian equities	107,387,113	18.7	161,972,567	28.6
Non-Canadian equities	155,745,932	27.2	128,681,253	22.7
Private equities	4,041,580	0.7	1,580,533	0.4
Fixed income securities	242,442,949	42.3	237,609,216	42.0
	573,149,456	100.0	565,798,082	100.0

Schedule 2

Net Investment Income (Loss)

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Change in fair value of investments	$ (76,175,446)	$ (36,736,744)
Realized gains on sale of investments	6,316,619	64,603,980
Interest income	5,456,663	5,318,737
Dividend income	15,753,873	10,790,554
Other interest, net	383,920	330,719
	(48,264,371)	44,307,246
Investment manager fees	(1,682,699)	(1,553,430)
Custodian fees	(376,327)	(354,524)
Net investment income (loss)	$ (50,323,397)	$ 42,399,292

Schedule 3

Administrative Expenses

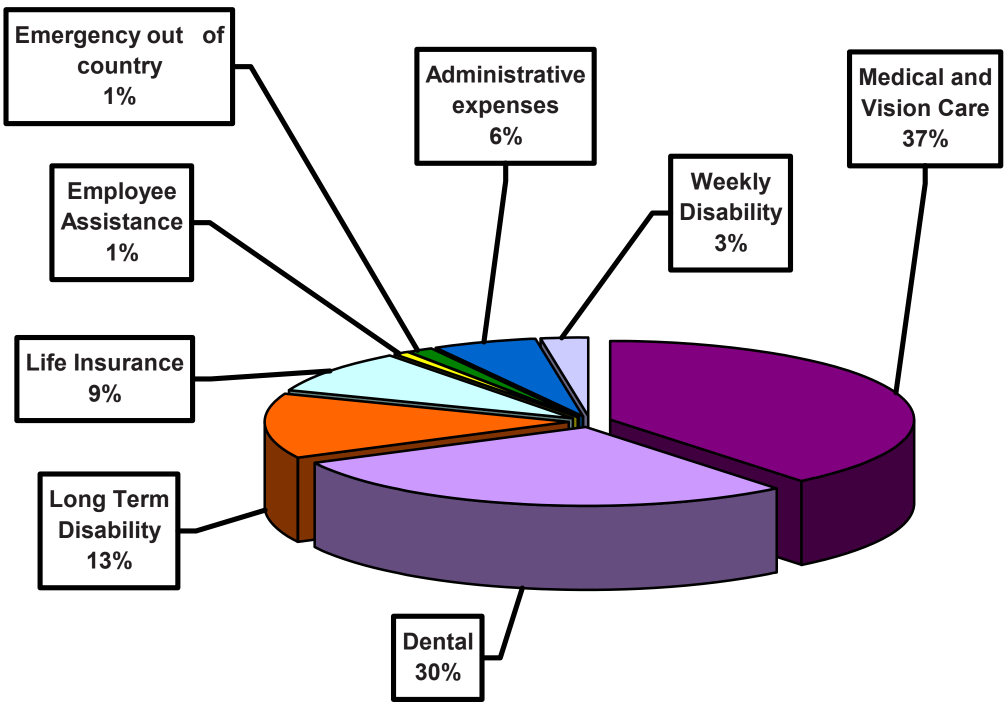
Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Direct expenses:		
Administration fees	$ 316,065	$ 328,943
Litigation expenses (note 4)	226,471	225,448
Actuarial and consulting fees	219,200	115,418
Investment consulting fees	63,611	24,817
Independent trustees	62,768	40,225
Audit	39,688	41,181
Legal	97,130	84,017
Retirement benefit, net	11,283	11,792
Registration	20,000	33,000
Office expenses	3,907	6,384
Other expenses (income)	7,423	(5,755)
	1,067,546	905,470
Common expenses shared with the Health and Welfare Fund (note 2(f)):		
Rent	49,646	50,000
Postage	46,708	58,629
Office expenses	36,646	39,729
Annual Report to members	34,943	31,766
Travel, conferences and meeting expenses	22,520	17,672
Insurance	17,872	10,651
Other shared expenses	7,785	5,706
	216,120	214,153
Less Health and Welfare Fund's share	(108,060)	(107,076)
	108,060	107,077
	$ 1,175,606	$ 1,012,547

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

This chart illustrates how the Health and Welfare Fund's revenue was spent during Fiscal 2008:



The Health and Welfare Plan provides benefits to active members, disabled and retired members. It also covers widows of active and retired members and their eligible dependants. The Plan is supported by a variety of funding arrangements including contracts of insurance with Manulife Financial. The Plan's Medical, Dental, Vision Care and Weekly Disability benefits are funded solely by the assets of the Health and Welfare Fund – there is no insurance contract and the Fund bears the risk of the claims arising under these benefits.

During the year ended September 30, 2008, on average, the Plan provided benefits to 6,094 active members. During Fiscal 2007 the Plan covered 5,555 active members. The Plan provided benefits to 699 retired members; 684 retired members were covered in Fiscal 2007. The Plan also covered disabled members and widows of members. The Plan provided self-payment benefits to 141 members. Under the self-payment benefit, 398 members had been covered In Fiscal 2007. The tightening of the self payment criteria introduced during Fiscal 2008 did result in fewer persons being eligible for subsidized benefits. Due to the robust economy, the Trustees also expected that fewer members would need to rely on the self payment benefit.

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)

An important goal of the Trustees is to extend life, disability, health and dental benefits throughout the members' careers. The Plan also provides benefits to the Plan's retirees.

In order to be able to provide lifelong benefits to Plan members, the Trustees must continually monitor the financial experience of the Plan. This monitoring will help to ensure that the Plan accumulates the necessary resources it needs to meet the potential liabilities of the Plan.

The Trustees have established some additional governance standards which include clear and timely communication with members. During the year, updates were made to Plan documentation including announcements and the Plan's website - *www.epibenefitplans.com*.

The Trustees have also set standards for member service. The Benefit Office provides members with personal and professional guidance by responding to thousands of telephone calls and written correspondence from members. Hundreds of members come to the Benefit Office for one-on-one help. They are always welcome – call ahead to ensure that the necessary staff will be available to give you the attention you need.

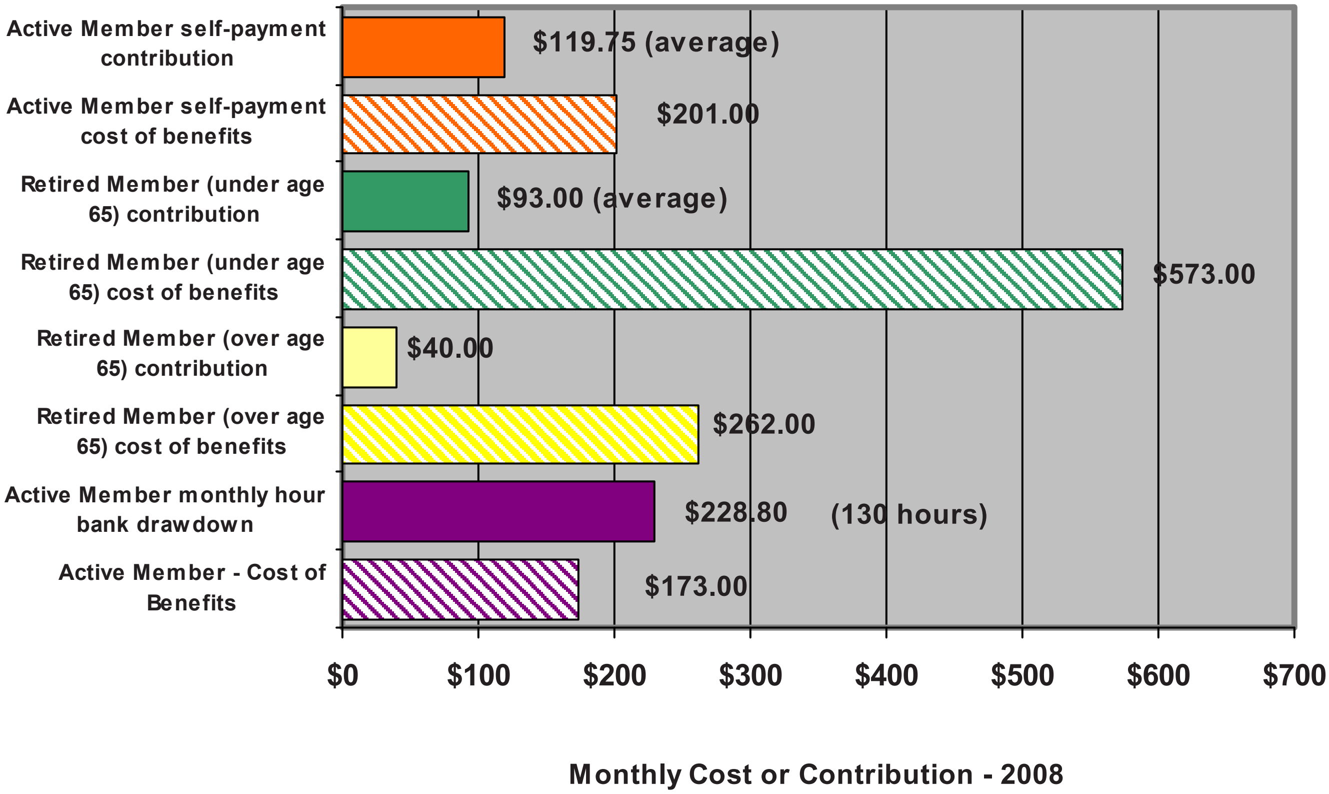
Retiree benefits are a cornerstone of the Plan. In the coming years, the Trustees will complete their determination of the funding requirements for retiree benefits and will make a decision about whether to delineate reserves for this benefit. We believe the future cost of retiree benefits will be more than $200 million.

Funding of Welfare Plan Benefits

At the end of Fiscal 2008 the Fund had sufficient assets on hand to provide benefits to active members for the entire amount deposited to their hour banks. The Fund also retained sufficient monies to provide retiree benefits for a period of 36 months. Beyond covering those liabilities, the Fund held a reserve, called Fund equity, of $43.3 million. Fund equity will support subsidies to members, benefits for retired members and future benefit improvements.

The graph on the next page shows the relationship between the average monthly self-payment contribution, or hour bank drawdown, and the average monthly cost of benefits paid by the Plan in Fiscal 2008.

HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY (Cont'd)



The Trustees continue to monitor the benefits provided by the Plan with a view to ensuring that the benefits are responsive to today's health care environment.

WELFARE FUND INVESTMENTS

The Fund's investments are managed following an investment policy approved by the Trustees. Investment income is important to the Fund because, as shown above, some of the Plan's benefits are highly subsidized; investment income helps to support these subsidies. Without investment income, earned prudently, the active members' hour bank requirement may be higher. The investment policy ensures that there are sufficient liquid assets on hand to pay benefits and premiums.

The Fund had a loss on its investments of $760,000 in Fiscal 2008. However, over the long term, the Fund has earned significant investment income. Investment income is derived from the Fund's investment in a balanced portfolio managed by Letko Brosseau & Associates. The Fund also invests in guaranteed interest certificates and short term money market investments. At the end of Fiscal 2008, the invested assets managed by Letko Brosseau were $21.6 million. Assets invested in money market instruments, including guaranteed interest certificates, totaled $39.4 million. The guaranteed interest deposits were held by Canadian Western Bank and HSBC Bank of Canada. Fiera Capital Management Inc. managed the Fund's money market portfolio.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Health and Welfare Fund

We have audited the statement of financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2008 and the statement of operations and changes in fund equity for the year then ended. These financial statements are the responsibility of the management of The Edmonton Pipe Industry Health and Welfare Fund. 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 financial position of The Edmonton Pipe Industry Health and Welfare Fund as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
December 8, 2008

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

September 30, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	$ 11,121,830	$ 5,993,428
Investments (note 3)	60,985,579	56,671,300
Contributions receivable	3,720,597	2,558,986
Accrued interest	715,481	330,106
Prepaid expenses and deposits	17,914	16,443
Due from The Edmonton Pipe Industry Pension Trust Fund (note 4)	60,752	102,249
	$ 76,622,153	$ 65,672,512
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 243,717	$ 219,416
Amounts due to other health and welfare funds (note 5)	1,719,144	1,000,376
Reserve for unpaid claims	1,717,126	1,461,559
Reserve for advance contributions	49,586	44,892
	3,729,573	2,726,243
Members' equity:		
Reserve for future plan benefits (note 6)	29,567,428	23,861,023
Fund equity	43,325,152	39,085,246
	72,892,580	62,946,269
	$ 76,622,153	$ 65,672,512

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Operations and Changes in Fund Equity

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Employer contributions	$ 37,245,908	$ 25,938,961
Members' and pensioners' cash contributions	583,336	680,619
Reciprocal transfers from other health and welfare funds (note 5)	442,654	404,346
Members' optional insurance contributions	55,532	46,822
Reciprocal transfers to other health and welfare funds (note 5)	(9,429,227)	(5,120,125)
Other recoveries	15,780	-
	28,913,983	21,950,623
Net investment income (loss) (Schedule 1)	(759,757)	3,422,108
	28,154,226	25,372,731
Benefit expenses:		
Health, dental, vision and short-term disability claims paid	12,562,862	11,204,127
Long-term disability premiums	2,056,115	2,146,804
Life insurance premiums	1,642,072	1,419,550
Accidental death and dismemberment premiums	362,890	347,421
Claims administration fees	466,376	396,610
Employee assistance program	116,116	146,365
Out-of-country insurance premiums	176,988	222,435
Members' optional life insurance premiums	52,461	48,733
Increase in reserve for unpaid claims	255,567	170,959
	17,691,447	16,103,004
Excess of revenue over benefit expenses	10,462,779	9,269,727
Administrative expenses (Schedule 2)	516,468	509,514
Excess of revenue over expenses	9,946,311	8,760,213
Fund equity, beginning of year, as previously reported	39,085,246	30,842,029
Implementation of financial instruments standards [note 2(a)]	-	484,898
Fund equity, beginning of year, as restated	39,085,246	$ 31,326,927
Transfer to reserve for future plan benefits	(5,706,405)	(1,001,894)
Fund equity, end of year	$ 43,325,152	$ 39,085,246

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

Year ended September 30, 2008

Note 1

Nature of the Fund

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations – an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated May 7, 1965 (the "Health and Welfare Trust Agreement") which has been amended and restated as of August 13, 2007. The Health and Welfare Trust Agreement provides for the establishment, maintenance, administration and investment of a fund known as The Edmonton Pipe Industry Health and Welfare Fund (the "Health and Welfare Fund") for the purposes of paying benefits in accordance with the terms and conditions of the Health and Welfare Plan (the "Health and Welfare Plan") to members and their beneficiaries. The Health and Welfare Plan was last amended as of May 1, 2008.

Members do not contribute to the Health and Welfare Fund. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement. The collective agreement was last renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011.

Benefits provided under the Health and Welfare Plan are paid for by the Health and Welfare Fund. For more complete information, reference should be made to the Health and Welfare Fund Trust Agreement and the Health and Welfare Plan documents.

These financial statements present information about the aggregate financial position of the Health and Welfare Fund, its operations and changes in fund equity. These financial statements do not portray the financial position of the Health and Welfare Plan, its funding requirements nor the benefit security of individual Plan members.

The benefits provided by the Health and Welfare Plan are funded using a variety of methods as set out below:

a) the health, dental, vision and short-term disability benefits are funded solely by the assets of the Health and Welfare Fund;

b) the long-term disability, accidental death and dismemberment, and optional life insurance benefits are provided by Manulife Financial under a contract of insurance which uses a pooled funding method;

c) the Member and dependent life insurance benefits are provided under contract with Manulife Financial. This contract has a hold-harmless provision which may require that the Health and Welfare Fund pay any shortfall of premiums which are insufficient to pay claims;

d) the administration of the out-of-country insurance is arranged under contract with Global Excel; and

e) the employee assistance program is administered by the Construction Employees Family Assistance Program.

The Board of Trustees reserves the right to amend or terminate any of the benefits under the Health and Welfare Plan.

Note 2

Significant accounting policies

The financial statements of the Health and Welfare Fund have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations, particularly for the reserve for unpaid claims and the reserve for future plan benefits. The estimates and approximations have been made using careful judgment. Actual results could materially differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Change in accounting policies:

On October 1, 2006, the Health and Welfare Fund adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855 "Financial Instruments Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation". Under these standards, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instruments as held-for-trading, held-to-maturity, available for-sale, and loans and receivables for financial assets, and held-for trading or other for financial liabilities. The transitional adjustments attributable to the re-measurements of financial assets in the amount of $484,898 were credited to fund equity at October 1, 2006.

(b) Investments

Investments have been classified as held-for-trading and recorded at market value. Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, reported directly in net assets. Transaction costs are expensed as incurred.

The Health and Welfare Fund's investments are exposed to market risk due to changing equity market conditions and interest rate risk due to short-term changes in nominal interest rates. The Health and Welfare Fund manages market and interest rate risk by establishing investment mix limits. The Health and Welfare Fund is also exposed to credit risk arising from the potential of issuers of securities to default on their contractual obligations to the Health and Welfare Fund. Such risk is mitigated by limiting the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service. The Health and Welfare Fund is exposed to foreign currency risk arising from its holdings of foreign currency denominated equities and fixed income securities.

Note 2 (Cont'd)

Significant accounting policies (Cont'd)

(c) Other financial assets and financial liabilities:

Contributions receivable, accrued interest and due from the Edmonton Pipe Industry Pension Trust Fund have been classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and amounts due to other health and welfare funds are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. The fair values of these other financial assets and financial liabilities approximate their carrying values.

It is management's opinion that these financial instruments are not exposed to significant interest, currency or credit risks.

(d) Investment income recognition:

Investment income is recorded on the accrual basis and includes dividend income and interest income, and realized and unrealized investment gains and losses.

(e) Common expenses:

Certain expenses are shared equally between the Health and Welfare Fund and The Edmonton Pipe Industry Pension Trust Fund ("Pension Fund"), an organization operated out of the same premises and under the same Board of Trustees and management.

(f) Income Taxes:

The Health and Welfare Fund is a trust recognized administratively by the Canada Revenue Agency. The investment income earned by the Health and Welfare Fund is subject to income tax; however, there are sufficient deductions to offset the income and thereby not incur tax.

Note 3

Investments

	Rate	Maturity	2008	2007
HSBC Bank of Canada	4.55%	September 8, 2008	$ –	$ 6,000,000
Canadian Western Bank	4.25%	March 13, 2008	–	6,000,000
Canadian Western Bank	4.30%	April 3, 2008	–	6,000,000
HSBC Bank of Canada	4.90%	December 3, 2007	–	6,000,000
Canadian Western Bank	4.93%	December 4, 2007	–	6,000,000
Canadian Western Bank	4.76%	September 27, 2008	–	1,958,906
HSBC Bank of Canada	4.47%	December 3, 2008	6,000,000	–
Canadian Western Bank	4.45%	December 4, 2008	6,000,000	–
Canadian Western Bank	3.51%	January 5, 2009	4,417,000	–
Canadian Western Bank	3.65%	March 9, 2009	2,235,082	–
Canadian Western Bank	3.65%	March 13, 2009	6,000,000	–
Canadian Western Bank	3.65%	April 3, 2009	733,000	–
Canadian Western Bank	3.70%	September 3, 2009	6,439,906	–
Canadian Western Bank	3.91%	September 29, 2009	1,958,906	–
			33,783,894	31,958,906
Letko, Brosseau & Associates - balanced fund			21,594,166	19,310,424
Fiera Capital Management Inc. - money market pooled funds			5,607,519	5,401,970
			$ 60,985,579	$ 56,671,300

Note 4

Due from The Edmonton Pipe Industry Pension Trust Fund

The amount due from the Pension Trust Fund is non-interest bearing, unsecured and has no set terms of repayment.

Note 5

Amounts due to other health and welfare funds

The Health and Welfare Fund has entered into reciprocal agreements with other health and welfare funds. These agreements provide that contributions received on account of employees working in a jurisdiction other than their local union's are remitted on a monthly basis to the welfare fund in which the employees are members.

Note 6

Reserve for future plan benefits

The reserve for future plan benefits is established by the Trustees to support the payment of benefits to members and their beneficiaries. The reserve for future plan benefits of $29,567,428 as of September 30, 2008 (2007 - $23,861,023) is comprised of two components calculated as follows:

(a) For active members, an estimate based on:

- (i) the average actual cost of benefits for such members for the 12 months ended September 30, 2008 multiplied by
- (ii) the estimated number of months of coverage determined by dividing the accumulated hour bank for all active members by 130 hours; and

(b) For retired, disabled and widows of deceased members, an estimate based on the average actual cost of benefits for such group of persons for the 12 months ended September 30, 2008 multiplied by 3 years.

Note 7

Statement of cash flows

A statement of cash flows has not been presented as management believes that a separate statement would not result in any additional useful information. The general cash flow information is readily apparent from the statement of operations and changes in fund equity.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 1 – Net Investment Income (Loss)

As at September 30, 2008, with comparative figures for 2007

	2008	2007
Increase (decrease) in fair value of investments	$ (3,329,155)	$ 1,104,042
Interest income	1,918,123	1,790,065
Pooled investment income	719,320	582,648
	(691,712)	3,476,755
Investment management fees	68,045	54,647
Net investment income (loss)	$ (759,757)	$ 3,422,108

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 2 – Administrative Expenses

As at September 30, 2008, with comparative figures for 2007

	2008	2007
Direct expenses:		
Administration fees	$ 316,516	$ 321,034
Independent trustees	31,257	17,225
Audit	19,480	16,695
Office expenses	12,974	22,630
Postage	-	9,326
Legal	8,821	7,434
Bank charges	6,621	2,127
Computer maintenance	3,000	5,405
Consulting	6,431	-
Accounting and computer processing	-	40
Other expenses	3,308	522
	408,408	402,438
Common expenses shared with the Pension Fund [note 2(e)]:		
Rent	49,646	50,000
Postage	46,708	58,629
Office expenses	36,646	39,729
Annual Report to members	34,943	31,765
Travel, conferences and meeting expenses	22,520	17,673
Other shared expenses	7,785	5,706
Insurance	17,872	10,651
	216,120	214,153
Less Pension Fund's share	(108,060)	(107,077)
	108,060	107,076
	$ 516,468	$ 509,514