For the
members of
The Edmonton
Pipe Industry

Pension Trust Fund
and
Health and Welfare Fund

2009
ANNUAL REPORT

DIRECTORY

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

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Board of Trustees

Administration Services Provider

McAteer – Employee Benefit Plan Services Limited
Executive Administrator – Rick McAteer

Auditor

KPMG LLP, Chartered Accountants, Edmonton, Alberta

Pension Trust Fund Investment Managers

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia
Letko Brosseau & Associates, Montreal, Quebec
Gryphon International Investment Corporation, Toronto, Ontario
Standard Life Investments (Private Equity) Limited, Edinburgh, Scotland
TD Capital Private Equity Investors, Toronto, Ontario
JP Morgan Investment Management Inc., New York, New York, USA
GE Asset Management Ltd., Stamford, Connecticut, USA
Standard Life Assurance Company of Canada, Toronto, Ontario
Connor, Clark & Lunn Investment Management Ltd., Vancouver, British Columbia
QV Investors Inc., Calgary, Alberta

Pension Trust Fund Custodian

CIBC Mellon Trust Company, Calgary, Alberta

Pension Plan Actuary

Mercer (Canada) Limited, Calgary, Alberta

Pension Trust Fund Investment Counsel

Asset Performance Inc., Vancouver, British Columbia

Health and Welfare Plan Insurer

Manulife Financial, Waterloo, Ontario

Health and Welfare Fund Investment Managers

Letko Brosseau & Associates, Montreal, Quebec
Fiera Capital, Toronto, Ontario
Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia

Health and Welfare Plan Employee Assistance Program Provider

Construction Employees Family Assistance Plan (CEFAP)

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Report of the Board of Trustees

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, 2009. This is the 9th 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 provided under the terms of the trust agreements, 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. During fiscal 2009 two Union Trustees, Hank Blakely and Brian Smith, retired from the Board. We thank them for their many years of excellent service.

We also welcomed two new Union Trustees – Barry Pruden and Robert Taylor.

Pension Trust Fund

As at September 30, 2009, the Pension Plan recorded a funding surplus of $16.3 million. We now have a funded ratio of 102%. At the end of Fiscal 2008 the Plan had an unfunded liability of $37.8 million and a funded ratio of 94%. By the end of Fiscal 2009 our Pension Plan had survived the worst recession since the 1930's.

By the end of Fiscal 2009, the Plan had earned a rate of return of 9.19%, largely earned in the last three months of the period. By the end of September 2009, world economies had started their post-recession recovery. We are not sure how long the recovery will last or what kind of a recovery it will be. The Trustees will continue a prudent approach to the management of the Pension Plan.

For more information about the Pension Plan's funding surplus status at the end of Fiscal 2009, 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, 2009 continued to use an assumed investment return rate of 6.25% which is the same as the investment return assumption used in the last four years. We have reported previously that the Trustees continuously examine whether the assumptions used to value the liabilities of the Plan remain appropriate. Part of this ongoing review includes a discussion, together with professional advisors including the actuary, about likely long term investment returns. We are being cautioned to expect lower returns in traditional stock and bond markets in the future (although there will be bursts of good returns in the short term).

Our commitment to the members is to continue to manage the Pension Plan under a prudent investment strategy and to bring into play all of the resources we believe are appropriate. We believe that we are one of the most financially secure pension plans in the province of Alberta.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

Funding of a pension plan is a sign of its financial strength. Members, of course, are keenly interested in the benefits the Plan provides. The Trustees have a Funding and Benefits Policy to guide them in their deliberations about what benefits the Plan can safely promise. The Funding and Benefits Policy is discussed later in this Annual Report.

The Pension Fund earned a rate of return of 9.19% for the year ended September 30, 2009. The rate of return for Fiscal 2008 was negative 8.41%. In determining the expected future cost of the Plan's benefits as at September 30, 2009, Trustees assumed that investments will earn a net return of 6.25%.

The Plan has greatly benefited from the strong work picture for our Members. Hours worked in excess of what we estimated have had a positive impact on the Plan's funded status. The Pension Plan's target expectation for hours worked in the 2009 fiscal year was 11 million hours, and the actual hours worked were 11.4 million. It is to be noted that this is about 2.5 million hours less than hours worked in Fiscal 2008, a decline of almost 18%.

Because the global economy is just exiting from a severe recession, and this impacts on the need for energy, 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. We are therefore assuming that hours worked will reduce to 10 million for Fiscal 2010 and decline to 8 million in Fiscal 2011 and 2012. Thereafter our best current estimate is that hours worked will improve but only to about 9 million hours.

Our funding goals require that the Plan be conservative in its estimates about the future. Therefore the Trustees always use caution when examining the Plan's economic assumptions and the benefits the Plan provides. We believe that taking this approach helps to reduce the risk Plan Members bear. Pension benefits are always target benefits – they can change if funding cannot meet legislated standards. Conservatism in our economic assumptions should provide some margin to protect the Plan in times of economic uncertainty.

On a continuous basis the Trustees review the Pension Fund's investment manager structure and asset mix. This review is always carried out with the assistance of the Plan's professional advisors. The Plan's asset mix is grounded in certain beliefs about investment markets --- for example that stocks will earn superior returns over bonds in the long term. The Trustees also believe the returns will be less volatile in non-traditional investment markets – private equity, infrastructure and real estate than what traditional stocks will show. We also believe that traditional bond markets will not provide the rate of return necessary to fund the benefits of the Plan. Therefore diversification of assets is critical. The Trustees have amended the Statement of Investment Policies and Procedures to establish 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. These have rate of returns and risk metrics which give the Trustees confidence that they are important to the Plan's overall investment mix. All investments are managed by professional asset managers.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

During Fiscal 2009, the Trustees decided to hold more cash rather than invest in public markets. This was a short term strategy and when the public markets started to show some recovery, the Trustees were more confident about allocating assets to the public markets.

No changes were made to the Pension Plan's benefits during Fiscal 2009. Members will recall that the Trustees held off on benefit improvements due to our concern about the economy. Included with the mailing of this Annual Report is an announcement from the Board of Trustees regarding a 5% pension benefit improvement which took effect October 1, 2009 for active and retired members and widows. Our Funding and Benefits Policy will govern the actions of the Trustees as we make future benefit decisions.

Health and Welfare Fund

The Health and Welfare Fund is in very good financial condition. As of September 30, 2009, the reserve for future plan benefits was $29.5 million and the Health and Welfare Fund equity was $51.4 million which is an increase of almost 19%, or $8 million. During the year ended September 30, 2009, $18.7 million was paid out to members as benefits. This is $1 million more in benefits paid compared to 2008.

Effective July 1, 2009 the Plan was improved to update the basis of reimbursement of dental expenses. The Trustees continually monitor the Plan's benefits compared to the contributions being paid. The goal of the Trustees is to update the Plan to meet the expectations of the members and to acknowledge current and future changes in the health care landscape.

A governance standard of the Trustees is high quality service to Plan members. During the year ended September 30, 2009, over 56,000 claims were processed by the Benefit Office. Members are welcome at the Benefit Office where they may receive assistance with filing claims. Some members prefer to wait at the Benefit Office for their claim cheque. 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. The services delivered by the Benefit Office are managed by knowledgeable staff who are committed to high standards of care.

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

The lawsuit was settled in October 2009, and the Pension Fund agreed to publish the following statement by the Plaintiffs and the Defendants.

Certain beneficiaries (the "Plaintiffs") of the Edmonton Pipe Industry Pension Plan (the "Plan") had a lawsuit in progress, seeking damages of approximately $49,000,000 from individuals who sat as Trustees of the Plan during a number of years up to and including 2000 (the "Defendants").

The Plaintiffs and the Defendants are pleased to announce that the litigation has been concluded and settled in the following manner.

Report of the Board of Trustees (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.

The settlement provides that the Fund is paid an amount of $1,403,507 from the insurance company, which includes payment of the amount expended by the Fund of $931,995.

The settlement was made as a compromise to avoid further litigation and was expressly without any admission of liability on the part of the Defendants.

General Comments

Fiscal 2009 was a year of high financial drama in global investment markets. Canadians witnessed the failure of large financial institutions in the United States and the impact was felt around the World. The depth of the decline of financial markets will not be forgotten by the Trustees and will impact on our determination to have a well diversified investment structure. We may never see a recession of this magnitude again in this generation. However, we wish to establish a methodology for investing the Pension Plan's assets that will provide guidance for the future.

During the fiscal year ended September 30, 2009, the Board of Trustees met 6 times in full day meetings.

Submitted on behalf of the Trustees,

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

PENSION FUND HIGHLIGHTS AND COMMENTARY

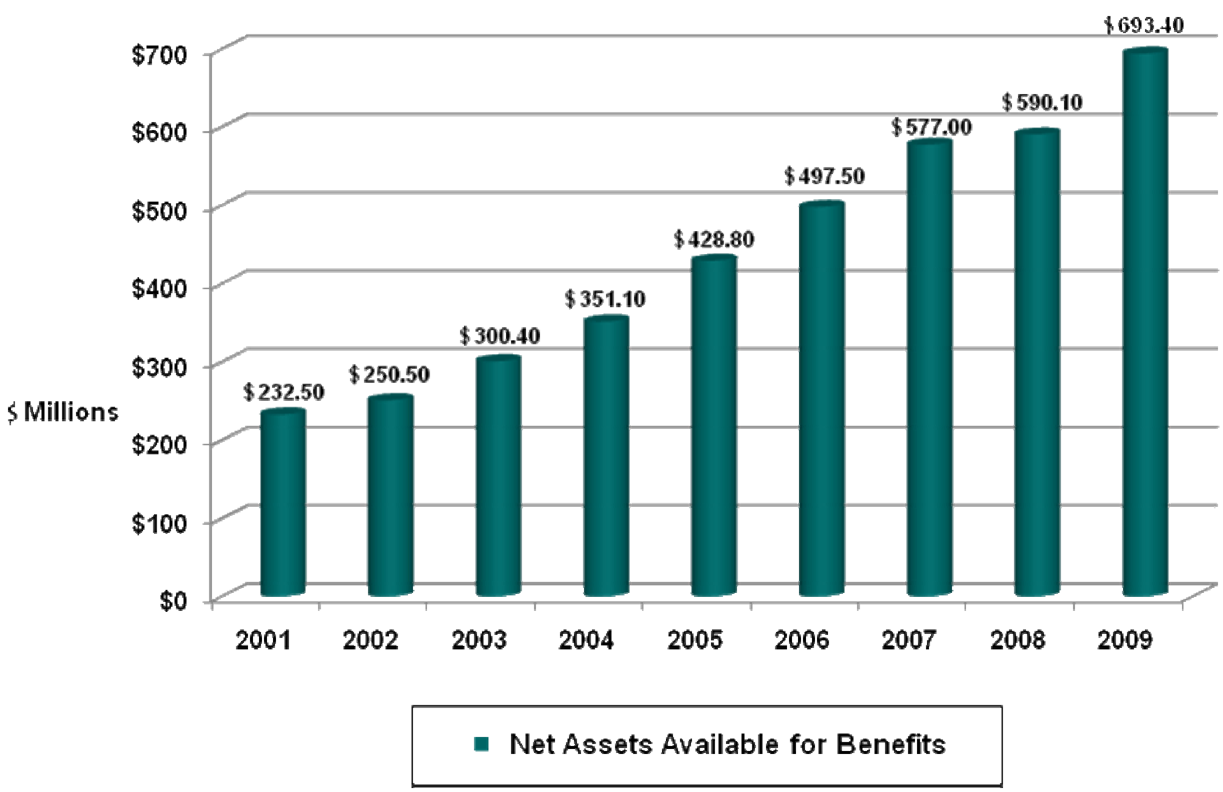
Pension Fund Assets

At September 30, 2009, the Pension Fund had $693.4 million in net assets available for benefits. This is an increase of $103 million compared to the net assets available for benefits at September 30, 2008. Net employer contributions in Fiscal 2009 were $75.9 million, a decrease of $13.8 million compared to Fiscal 2008.

The Pension Fund received net contributions in respect of 11.4 million hours worked during Fiscal 2009. During Fiscal 2008 the Fund received contributions in respect of 13.9 million hours.

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

GROWTH IN PENSION FUND ASSETS 2001 - 2009

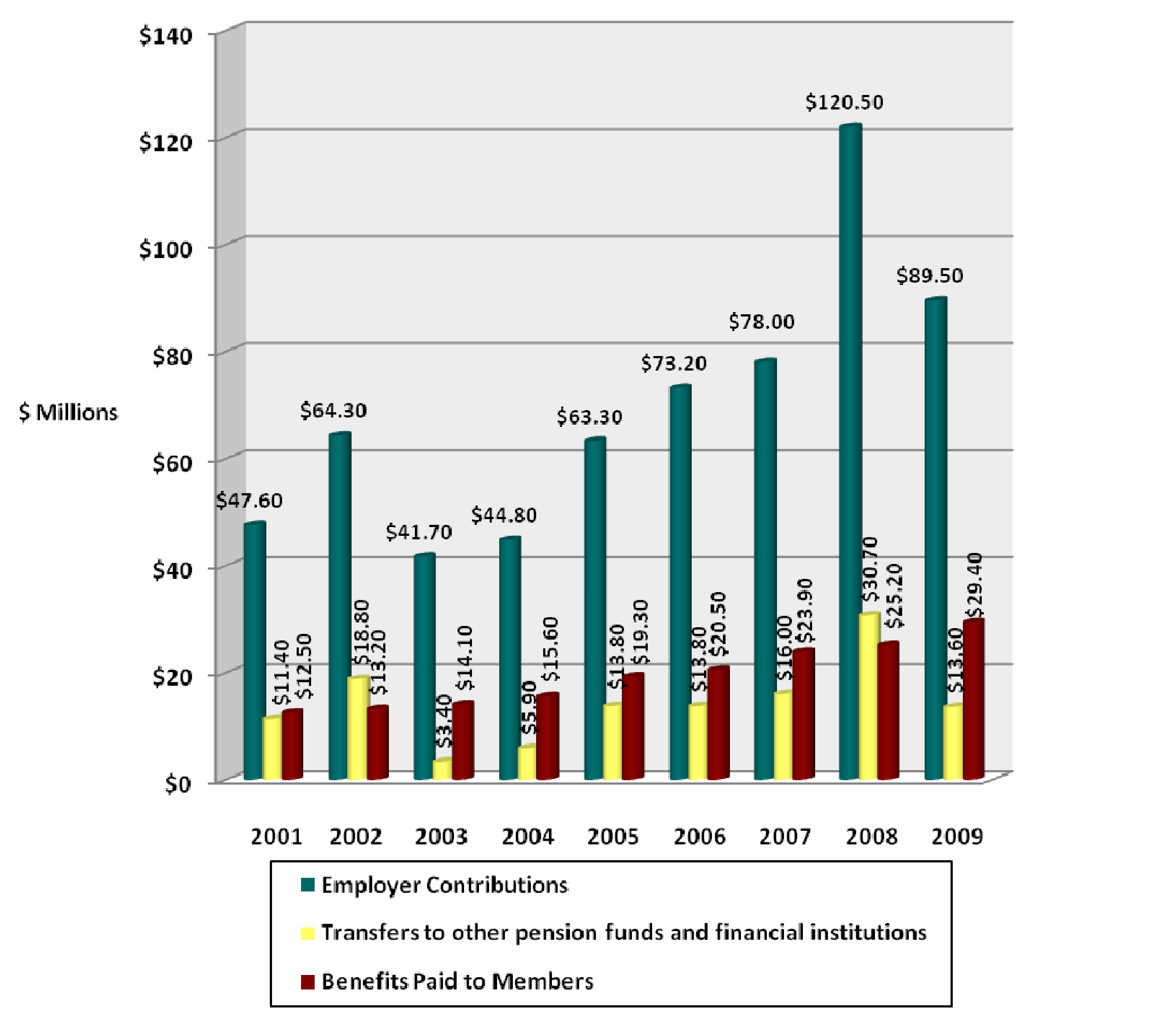


Pension Fund Contributions

During Fiscal 2009, contributing employers paid $89.5 million into the Pension Fund on behalf of members, compared to $120.5 million in Fiscal 2008. This is a decrease of $31 million, or 25.7% less than Fiscal 2008's employer contributions. This is related entirely to the reduced number of hours worked.

From the $89.5 million received, the Pension Fund transferred $13.6 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 2009, the Pension Fund paid $29.4 million ($25.2 million in Fiscal 2008) in pension and disability benefits, an increase of more than 16% when compared to Fiscal 2008 benefit payments.

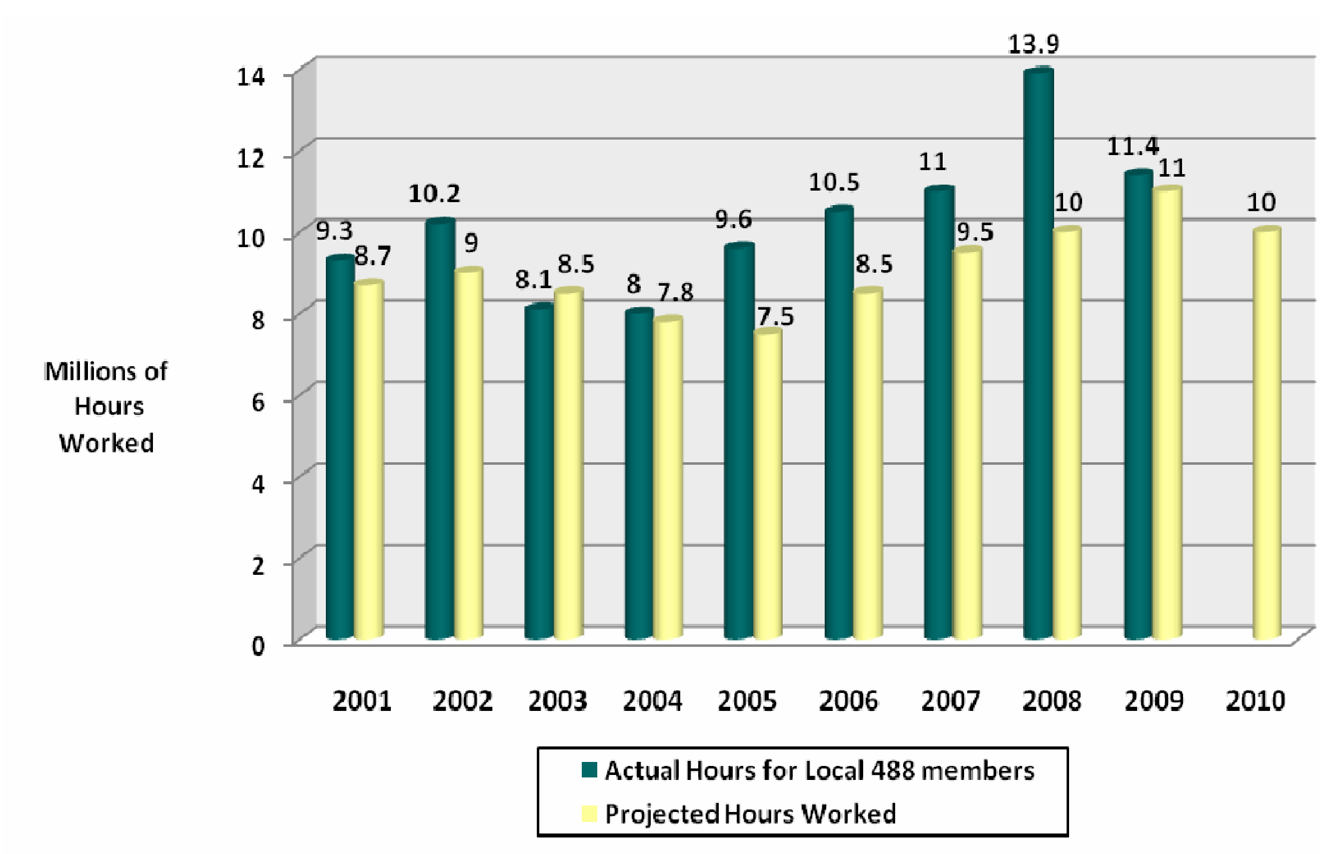


Employer Contributions and Hours Reported to the Pension Fund

During the fiscal year ended September 30, 2009, the Pension Fund received employer contributions based on 14.1 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 2.1 million hours to other pension funds on behalf of union members who were not members of Local 488. Retired members earned 629,000 hours. Therefore the net contributions to the Pension Fund were based on 11.4 million hours worked by Local 488 members.

For Fiscal 2010, the Pension Plan is using an assumption that 10 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 – 2010



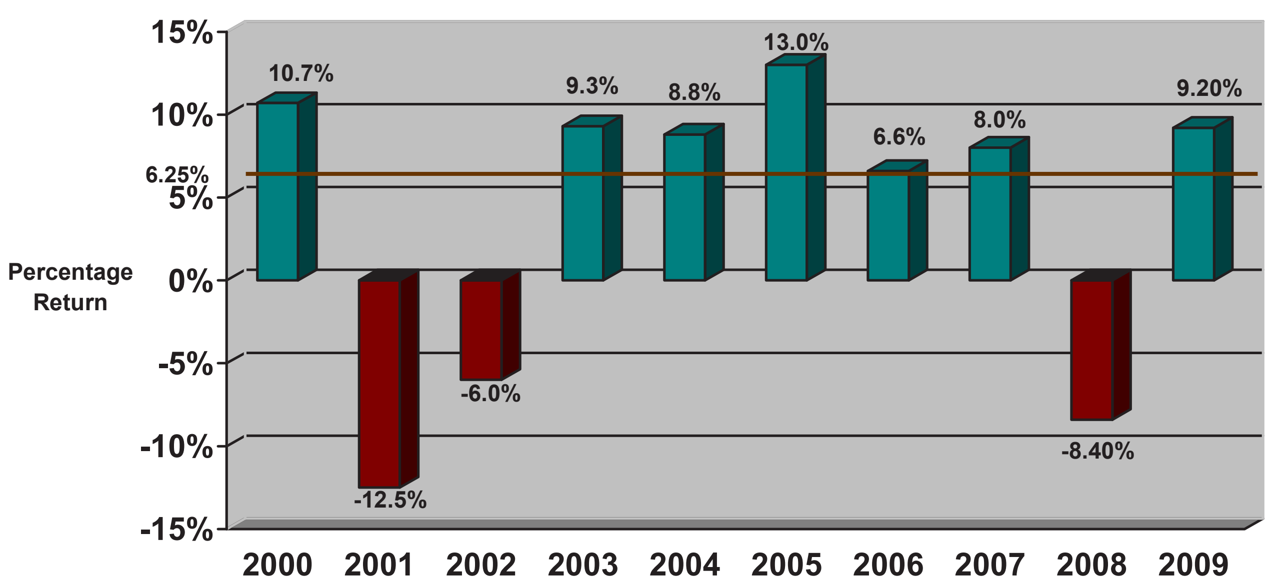
Pension Fund Investment Rate of Return

The major market returns for the year ended September 30, 2009 (and compared to 2008 returns) were;

Market	Return for the Year Ended September 30, 2009	Return for the Year Ended September 30, 2008
Canadian Equity	0.5%	-14.4%
Canadian Bonds	10.3%	4.6%
Non Canadian Equity	6.1%	-20.2%
Treasury Bills	1.3%	3.7%

For the 2009 Fiscal year, the Pension Fund earned a positive net rate of return of 9.19%. Before Fiscal 2008, the Fund had five consecutive years of positive returns – a positive track record which ended in Fiscal 2008 with a negative return of 8.41%. The Pension Plan's actuarial target investment return is 6.25%. The chart below reflects the fluctuations in World investment markets. It keeps front and centre that investment markets are volatile and because the Pension Plan participates in these markets, it can be exposed to gains and losses. We must always take into consideration that there is downside risk to any investment. The target investment return assumption of 6.25% is reviewed every year to consider whether there is a reason to change the actuarial assumption. A change to this long term assumption would be based on the consensus for future market returns. After consideration of analysis presented by the actuary, the Trustees will consider what investment rate of return assumption is valid for the Plan's next actuarial valuation.

ANNUAL RATE OF RETURN 2000 - 2009



Report on Pension Fund Investments

During Fiscal 2009 the Trustees completed a review of the asset mix of the Fund. 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, 2009 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	0%	4%	1.1%
Private Equities	0%	10%	20%	0.8%
Publicly Traded Equities (Canadian)	10%	20%	30%	23.2%
Publicly Traded Equities (Foreign)	10%	20%	30%	31.7%
Fixed Income (Bonds)	20%	30%	40%	38.9%
Real Estate	3%	10%	20%	4.3%
Infrastructure	3%	10%	20%	0%

In Fiscal 2007 and Fiscal 2008 target allocations were made to private equity, real estate and infrastructure. These are named "non-traditional" investments. In order to balance the asset allocation and to ensure that the Plan's benefits are adequately funded, the target allocation to fixed income (bonds) was decreased. During Fiscal 2009 the Trustees further diversified our equity investments by creating a new small cap equity class. During Fiscal 2010 the Fund's commitments to private equity, real estate and infrastructure will move toward completion. Delays in funding these commitments arose in Fiscal 2009 because the recession reduced or eliminated the number of opportunities (called "deal flow") for investing in non-traditional investment classes. Opportunities will continue to improve as the World's economies come out of recession.

When markets show high volatility, it is possible for the Fund to be temporarily out of balance with its asset mix guidelines. In the fourth quarter of Fiscal 2009, non-Canadian equity markets returned 11.1% compared to 6.1% for the year. After the end of Fiscal 2009, the Trustees reviewed the actual asset mix and compared this to target allocations and made the necessary rebalancing decisions after consideration of future deployment to non-traditional investments and the general market status.

Report on Pension Fund Investments (Cont'd)

One of the key elements of the governance structure of the Pension Fund is the performance monitoring and 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, 2009 the Fund's investments returned 9.9% before fees. The median pension fund measured by the Plan's independent performance measurement service returned 5.8% for the year ended September 30, 2009. The Trustees believe that ongoing analysis of the Pension Fund's investments at every level is important to the long term security of the Plan's benefits.

The Trustees employ an important analytical tool called "value at risk". Value at Risk (VAR) is used to determine how current investment managers and asset classes are expected to work together in the future. Prospective investment managers (such as those for real estate, infrastructure or even publically traded equities) can be measured. On a total Fund basis 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.

Every investment decision made by the Trustees is carried out after careful consideration of the purpose of the Fund. This is set out in the Mission Statement:

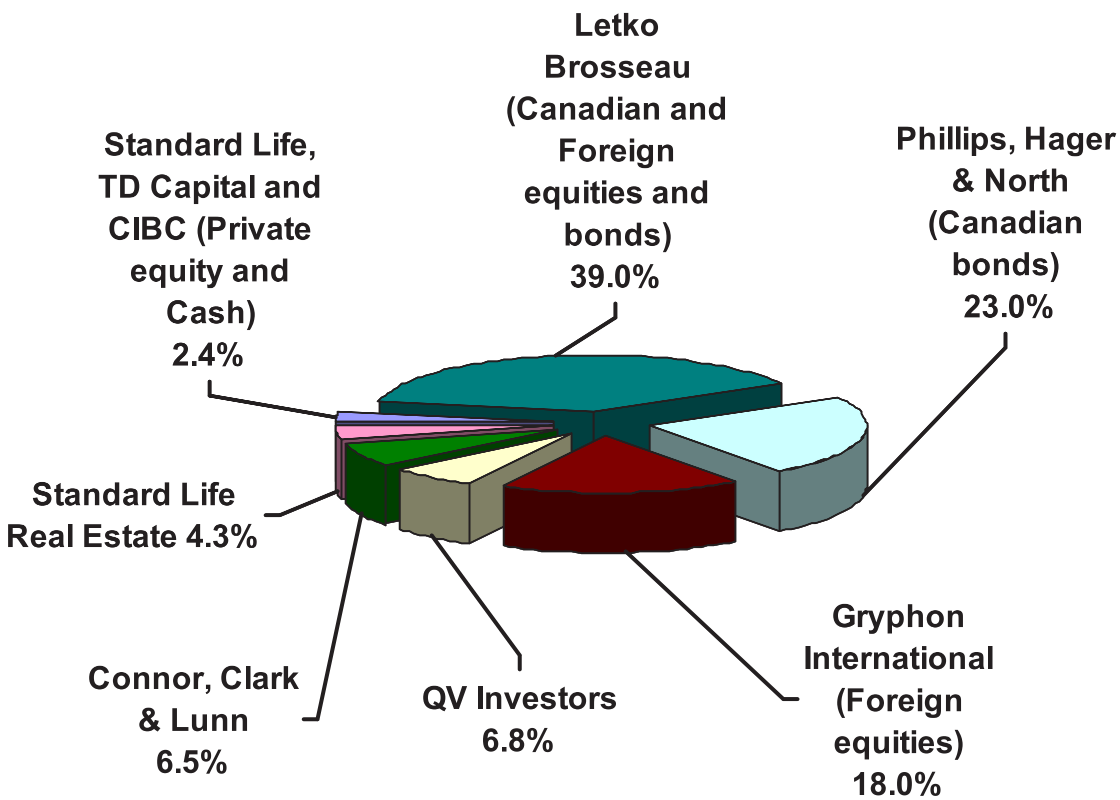
"To contribute to the well being of the Plan Members and Beneficiaries by providing reasonable retirement pensions and related benefits based on the financial resources available from The Edmonton Pipe Industry Pension Trust Fund."

The Trustees' principal objective is to protect the pension promises which have been made. This governance standard reduces the benefit and contribution risk the Plan's members may otherwise face.

Even though it resulted in a good positive rate of return, Fiscal 2009 was a challenging year for the Pension Fund. The Pension Plan experienced great volatility in the 12 months ended September 30, 2009. Ongoing monitoring of the Pension Fund's investments, investment managers and hours worked helped the Trustees to understand what impact the global recession was having on the Plan. Even though it appears that the recession has subsided, the Trustees maintain their practice of diligently monitoring the investment markets and will take the necessary actions when necessary.

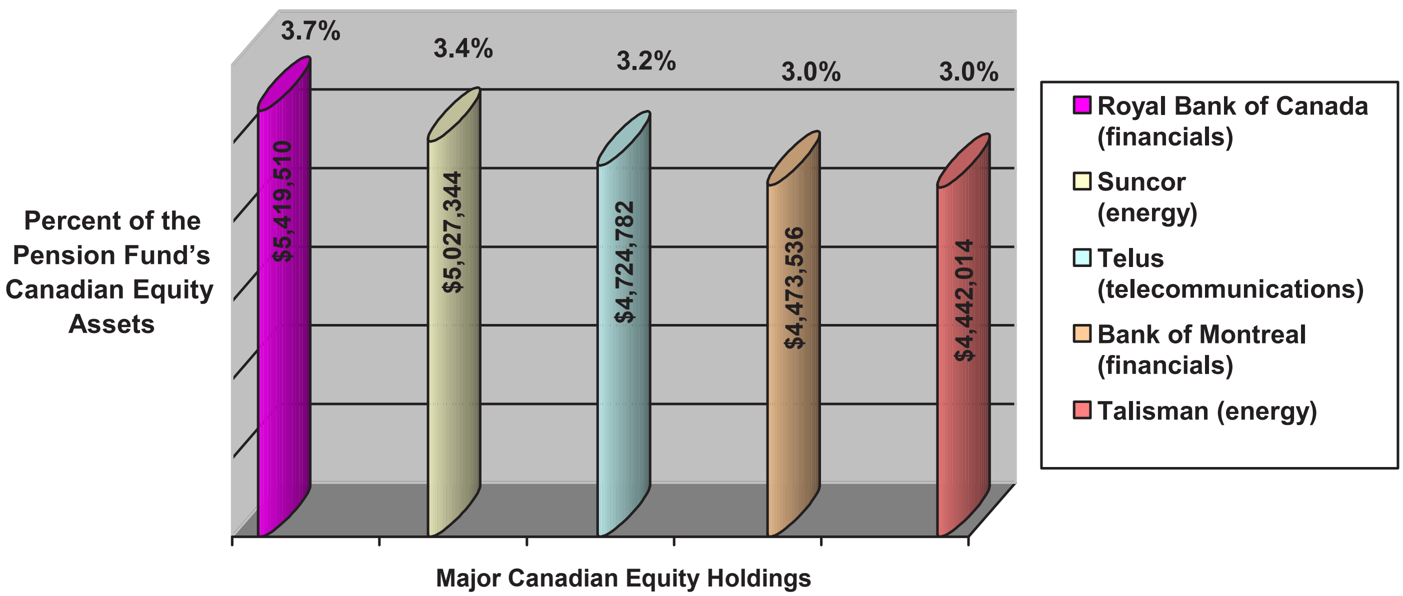
Report on Pension Fund Investments (Cont'd)

Eight 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, 2009, is illustrated as follows:



Equities

At the end Fiscal 2009, the Pension Fund had $148 million, or 23.1% of its assets, invested in Canadian equities. During the year the Trustees made a decision to retain a small capitalization ("small cap") Canadian equity manager – QV Investors Inc. This manager adds further diversification to the Fund's assets. The Trustees also amended the mandate of one manager, Phillips, Hager & North to a bond-only mandate and retained Connor Clark and Lunn to manage Canadian equities. This change takes advantage of the specialties of the investment managers. The Fund's largest Canadian equity holdings at September 30, 2009 were:



The one year return of the Canadian equity market was just 0.5% which was a significant recovery from the 2008 Fiscal year when the annual return was negative 14.4%. The return for Fiscal 2007 was 22.8%. Need more be said about volatility? Small cap equities were punished the most in Fiscal 2008, producing a one year return of negative 30.5%. For Fiscal 2009 the return of the small cap market was 17.9%. Diversification into small cap equities produced higher returns for the Pension Fund.

The Pension Fund had $202.8 million, or 31.6% of its assets, invested in non-Canadian publicly traded equities. The United States equity market had a negative return of 6.3% in Fiscal 2009.

Equities (Cont'd)

When the entire year is taken into consideration, the value of the Canadian dollar did not come in play in respect of returns. However, in the final quarter of Fiscal 2009 the value of the Canadian dollar value escalated, resulting in a return in the US market of 15.6% measured in United States dollars, but only 6.4% measured in Canadian dollars. At July 1, 2009 the Canadian dollar was valued at US 85.98 cents. By the end of September, 2009, the Canadian dollar was worth US 93.40 cents, a three month appreciation of over 8%. The Trustees research the fluctuations in currency and consider the merits of hedging the Canadian currency. In Fiscal 2009 the Trustees decided not to enter into currency hedging arrangements. When looked at historically, currency has not produced a gain, or loss. However in short periods currency fluctuations can impact returns in a meaningful way. The Trustees will continue their due diligence on currency hedging in the coming months.

In Fiscal 2009 the European, Australian and Far East (EAFE) equity market returned a negative 1.0% in Canadian dollars. In Fiscal 2008 this market produced a loss of 20.2%. The Fund's investments in this market are important to the diversification of the Fund and the protection of the Plan's benefits. This asset class has now started to produce positive returns again. In the last quarter of Fiscal 2009, the EAFE asset class had a return of 8.2% measured in Canadian dollars.

The Pension Fund has a Statement of Investment Policies and Procedures which sets out guidelines for the 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, within their mandate, and are expected to use this discretion to benefit the Fund. The Fund's investment managers are always subject to monitoring which includes compliance with the Fund's investment policies. The Trustees also measure the investment manager's results against performance targets established by the Trustees. The Trustees retain independent investment counsel to measure the result of the Fund's investments. This independent counsel also provides guidance about markets and how to best approach emerging investment issues.

Fixed Income

At the end of Fiscal 2009 year, the Pension Fund's fixed income investments totaled $247.9 million which is approximately 38.6% of total assets. At the end of Fiscal 2008 42.3% of the Fund was invested in fixed income. During the year the Fund was further diversified; money was taken out of fixed income and invested in real estate and private equity – both of which are expected to generate long term, risk adjusted returns superior to what is estimated from fixed income markets. The Fund's fixed income investments include Corporate bonds as well as bonds issued by Canadian federal and provincial governments. For the year ended September 30, 2009 the broad based Canadian bond market return, measured by the DEX Universe, was 10.3%. This was a spectacular return for fixed income.

Fixed Income (Cont'd)

Within the asset class, in order to participate in these returns, investment in Corporate bonds was necessary. Corporate bonds returned 14.8% in Fiscal 2009 while Government of Canada bonds returned 8.8%. The Trustees have been advised not to expect such returns from the fixed income markets in the future. In part Corporate bonds enjoyed robust returns due to the economic recovery - governments were lowering their interest rates in order to stimulate recovery from the global recession. Corporate bonds suffered the most in Fiscal 2008 because investors were distrustful of corporations and credit – this sentiment turned positive in Fiscal 2009. At the end of Fiscal 2009 short term interest rates were 25 basis points (0.25%). Clearly a pension fund must look to other markets in order to sustain benefits. The Trustees set out on this path in 2006.

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, 2009, the Long-Term bond index return was 12.5%. Long duration bonds perform well in times when interest rates are falling. However, the opposite will normally take place when interest rates rise. Rising interest rates is an expectation, possibly during Fiscal 2010, because one metric of economic recovery is sometimes high inflation. Inflation can be cooled by increasing interest rates – making borrowing more expensive.

The Trustees will further review the Fund's allocation to long duration bonds during Fiscal 2010. The Plan's solid funded status will allow further diversification in fixed income.

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, Fiscal 2008 and again in Fiscal 2009, by Value at Risk work completed by Asset Performance Inc. The Value at Risk (VAR) research has been very important to the Trustees as they consider new Fund investments and evaluate new investment managers.

Non-traditional asset classes, which one day will be commonplace in pension funds, help to offset the volatility in the Fund because they usually do not mirror the volatility of public markets, therefore producing long term stability and sustainability of benefits.

The Fund's Statement of Investment Policies and Procedures sets out the Trustees' long term objectives for asset allocation. It also sets out the Trustees' beliefs about the returns from public and private markets. The Trustees believe that it is fundamental to the ongoing success of the Plan that they retain the most appropriate mix of investment managers to carry out the asset allocation strategy. The Trustees employ professionals who specialize in the evaluation of investment managers when examining existing and prospective investment managers to the Fund. Changes to the roster of managers retained by the Fund are made when necessary. The Trustees have resolved to have 30% of the Fund's assets invested in non-traditional investments such as real estate, infrastructure and private equity.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

At the end of Fiscal 2009 the Plan had a funded status of 102% and a small surplus of $16.4 million. At the end of Fiscal 2008 the Plan had an unfunded liability of $37.8 million and a funded ratio of 94%. The funding improvement in the Plan is attributed mainly to the Plan's investment return of 9.19% compared to its funding assumption of 6.25%. Hours worked were 397,000 more than the assumed 11 million hours. The contribution rate is sufficient to secure the Plan's benefits.

We are noting an emerging trend which, if continued, will increase the cost of providing benefits. An increasing number of hours are being worked by older members. In Fiscal 2009 this produced a loss of about $4 million. The actuary has advised that, if this trend continues, there will be pressure on the cost of benefits – the same benefit will cost more when average age increases. The average age of the active membership increased to 39.22 years from 38.92 years as measured at the end of Fiscal 2008. During the year 1,121 new members started work. This is an increase in the active membership of 3.2%.

The Plan's solvency funding ratio improved to 96% from 86% at the end of 2008. The solvency ratio improved due to changes in the standards imposed by pension regulation which are now less conservative. The new standards reduced the Plan's solvency liabilities by $20.5 million. The Plan had a solvency deficiency of $93.1 million at the end of Fiscal 2008. At the end of Fiscal 2009, the solvency deficiency had decreased to $30.3 million.

Differences between the Plan's funding position of 102% when measured on the going concern basis and a funded ratio of 96% when measured using solvency rules arises only because of the change in the assumptions prescribed for the calculation of solvency funding. Solvency funding assumptions are prescribed by the Alberta Employment Pension Plans Act. In particular, for the purpose of a solvency valuation, the actuary must assume that benefits will be purchased at interest rates much lower than the Plan's assumed investment return. For example, one assumption requires that pensioner benefits will be purchased in the annuity market at 4.37% per annum, not 6.25% as assumed by the Plan. The actuary must include prescribed life expectancy tables when calculating the solvency position of the Plan. Assumptions about improvements in life expectancy will make the Plan's benefits more expensive. The Plan is receiving sufficient excess contributions to amortize this deficiency as prescribed in the pension legislation governing the Plan. Based on expectations for hours worked in the future and other assumptions, the actuary has calculated that the solvency deficiency will be zero by 2014.

The Plan has a Funding and Benefit Policy. This Policy sets guidelines for the Trustees, and helps to set the expectations of members, as to when the Trustees may review changes to the Plan's benefits. The Trustees must do their best to ensure that the benefits provided by the Plan are sustainable. One of the products of an actuarial valuation is the demonstration of benefit security.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY (Cont'd)

When the Trustees conduct their review about whether the Plan's benefits can be improved, the Trustees will be guided by the following criteria:

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 increased contributions received by the Fund have been used to pay down the Plan's unfunded liabilities. The current contribution rate is $6.31 and this will rise to $6.61 during Fiscal 2010. The current cost of benefits is $2.685 per hour. The difference goes to pay the Plan's solvency liability of $30.2 million.

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 previous Annual Reports, the Trustees believe that priority should be placed on improving the pension accrual rate. More than 18 years have gone by without an increase in the benefits earned by active members even though the contribution rates paid under the collective agreement have increased over that time. The Trustees must balance the objective of benefit increases for active members with the fact that pensioners have not received an increase in their fixed monthly income from the Plan since 1998. Even though the Pension Plan does not provide automatic increases on account of inflation (the Plan's pensions are not indexed to inflation) the Trustees are aware that increases in the cost of living means the same pension dollar does not go as far.

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 2009 the cost of this benefit was $3.7 million. This benefit cost the Plan $6 million in Fiscal 2008. In total, the cost of the Plan's defined contribution benefit for retired members is $9.7 million.

We hope that, by clearly explaining the due diligence process the Trustees conduct when evaluating the Plan's benefits, all members will have a clear understanding of this key governance element of the Plan.

ACTUARIAL VALUATION

Membership Data	**2009**	2008	2007	2006	2005	2004	2003
Number of active members	**9027**	8869	7122	6283	5937	5193	5488
Average age of active members (in years)	**39.2**	38.9	40.1	40.1	40.1	41.1	40.5
Average hours worked	**1481**	1755	1696	1802	1696	1633	1668
Number of pensioners (including disabled)	**2109**	1977	1831	1704	1597	1488	1404
Average age of pensioners (in years)	**68.9**	68.7	68.7	68.6	68.5	68.5	68.4

An actuarial valuation is a sophisticated mathematical tool prepared by a certified actuary. The actuary uses accepted actuarial standards, guided by the Canadian Institute of Actuaries, to estimate the future rate of growth of the Pension Plan's liabilities and matches this against the expected future assets of the Pension Fund. In calculating the asset growth of the Fund, the actuary also looks at consensus forecasts for future investment market returns and determines how these returns will come to bear given the asset mix 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 arrange to have an actuarial valuation of the Plan every year. Current pension legislation requires that this measurement be carried out every three years. The Trustees consider that the knowledge acquired from an actuarial valuation is vital to their understanding of the funded status of the Plan. If the Plan's assumptions are not met by the actual activities in the Plan, the Trustees can see this early and take corrective actions, if necessary. The valuation informs the Trustees about whether the benefits promised by the Plan remain appropriate. The results of the valuation are taken into consideration when the Trustees review whether benefit improvements can be made or, if the result of the valuation is negative, what benefit reductions need to occur.

All of the changes contemplated by the Trustees must be compliant with all of the legislation governing the Plan. As discussed earlier, the Funding and Benefit Policy sets the Trustees' standards for the evaluation of the Plan's benefits.

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.

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.

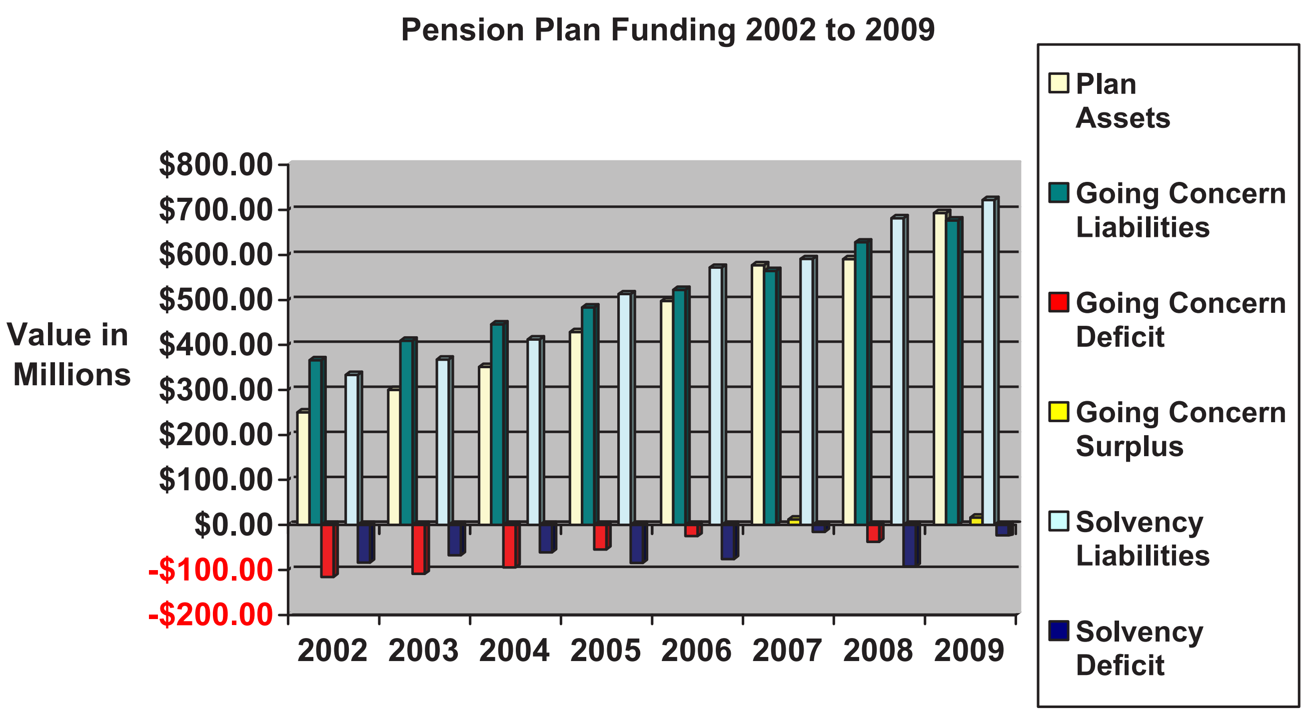
  For the 2009 valuation, the target rate of return on Fund investments continued to be 6.25%. This is the average rate that the Pension Fund is expected to earn in the long term. However, over short periods of time, the Fund's actual investment returns will be higher or lower than our 6.25% average return expectation. The Plan's investment return assumption is based on a complete review of financial market behavior and the return expectations of economists and investment professionals.

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 and the Plan's solvency deficiency. For the fiscal year ended September 30, 2009, Local 488 members worked a total of 11.4 million hours, slightly more than the forecast of 11 million hours. For Fiscal 2010 the Plan's assumption is that Local 488 members will work 10 million hours. The assumption regarding hours worked is closely monitored and revisited every year. The Trustees are assuming that 8 million hours will worked by Local 488 members in Fiscal 2011 and Fiscal 2012.

For the fiscal year ending September 30, 2009, 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 2014. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

The Pension Plan's funding status from 2002 to 2009 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 other delegates in the governance process. 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 Audit 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 timely, 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, the Audit Committee and the Board 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, 2009 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, 2009 and the changes in net assets available for plan 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 9, 2009

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Net Assets and Accrued Pension Liability

September 30, 2009, with comparative figures for 2008

	2009	2008
ASSETS		
Investments (Schedule 1)	$ 641,279,502	$ 573,149,456
Cash	44,972,626	11,970,519
Contributions receivable	9,369,672	11,707,012
Accounts receivable (note 5)	1,460,521	107,330
Prepaid expenses and deposits	16,491	7,348
Cash surrender value of life insurance policy (note 8)	179,974	173,212
	697,278,786	597,114,877
LIABILITIES		
Accounts payable and accrued liabilities	966,377	953,728
Amounts due to other pension funds (note 4)	2,786,185	5,850,260
Retirement benefit obligation (note 8)	162,119	170,765
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 6)	9,651	60,752
	3,924,332	7,035,505
Net assets available for benefits	693,354,454	590,079,372
Accrued pension liability (note 7)	676,994,454	627,935,372
Funding excess (unfunded liability) (note 7)	$ 16,360,000	$ (37,856,000)

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, 2009, with comparative figures for 2008

	2009	2008
Contributions received:		
Employer contributions	$ 85,670,427	$ 115,699,209
Pension credits and reciprocal transfers	3,798,251	4,788,467
	89,468,678	120,487,676
Terminations and reciprocal transfers	(13,566,459)	(30,742,321)
	75,902,219	89,745,355
Net investment and other income (loss):		
Net investment income (loss) (Schedule 2)	56,226,437	(50,387,008)
Other income, net	47,944	56,598
	56,274,381	(50,330,410)
Recovery of litigation expenses (note 5)	1,403,507	-
	57,677,888	(50,330,410)
Payments made		
Pension and disability benefits	(29,395,573)	(25,206,295)
Administrative expenses (Schedule 3)	(909,452)	(1, 111,995)
	(30,305,025)	(26,318,290)
Increase in net assets	103,275,082	13,096,655
Net assets available for benefits, beginning of year	590,079,372	576,982,717
Net assets available for benefits, end of year	$ 693,354,454	$ 590,079,372

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, 2009, with comparative figures for 2008

	2009	2008
Funding excess (unfunded liability) at beginning of year	$ (37,856,000)	$ 12,441,000
Interest at 6.25% on funding excess (unfunded liability)	(2,366,000)	778,000
Net experience gains (losses)	15,095,000	(87,219,000)
Special payments to eliminate the unfunded liability and solvency deficiency	41,345,000	46,201,000
Impact of changes in assumptions and methodology	-	(9,754,000)
Net impact of other elements of gains and adjustments	142,000	(303,000)
Funding excess (unfunded liability) at end of year	$ 16,360,000	$ (37,856,000)

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements

Year ended September 30, 2009

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 October 1, 2009. 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, 2009. 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. In lieu of a monthly pension, the surviving spouse may elect to receive a commuted value equal to the deceased members termination benefit calculated as if the member had terminated at his date of death.

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. For work periods after the retired member's initial retirement date and prior to October 1, 2009, the entire employer contribution accrues for the benefit of the retired member. For work periods after the retired member's initial retirement date and after September 30, 2009, a portion of the employer contribution, based on the Pension Plan's current service cost rate, accrues for the benefit of the retired member. 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 accounting principles generally accepted in Canada and 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. 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. These 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) 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:

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

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

(iii) Private equities, infrastructure investments and real estate investments, are held through ownership in limited partnership arrangements or other similar investment vehicles. Fair value is determined based on relevant information reported by the General Partner using accepted industry valuation methods using valuations as of June 30, 2009 and September 30, 2009 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.

(b) 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.

Note 2

Summary of significant accounting policies (Cont'd)

(c) 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.

(d) 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

Financial instruments

The fair values of investments are as described in note 2. The fair values of other financial assets and liabilities, being cash, accounts receivable, contributions receivable, accounts payable and accrued liabilities, amounts due to other pension funds and due to The Edmonton Pipe Industry Health and Welfare Fund approximate their carrying values due to the short-term nature of these financial instruments. The risks associated with the financial instruments are as set out below.

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or by other factors affecting all instruments traded in the market. As all of the Pension Fund's financial instruments are carried at fair value with fair value changes recognized in the statements of changes in net assets available for plan benefits, all changes in market conditions will directly affect the change in net assets available for benefits. Market price risk is managed through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Interest rate risk:

Interest rate risk is the risk associated with short-term changes in nominal interest rates. The Pension Fund manages interest rate risk by establishing investment mix limits.

(iii) Credit risk:

Credit risk is the 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.

(iv) Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

Note 3 (Cont'd)

Financial instruments (Cont'd)

(v) Foreign currency risk (Cont'd):

The Pension Fund is exposed to risks arising from its holdings of foreign currency denominated equities and fixed income securities whereby the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value investments denominated in currencies other than Canadian dollars. Such risk is mitigated by limiting the amount of the Pension Fund's investments in non-Canadian investments.

(vi) Liquidity risk:

Liquidity risk is the risk that the Pension Fund will not be able to meet its obligations as they fall due. Liquidity risk is mitigated whereby (a) the Pension Fund maintains sufficient cash to meet its short-term obligations and (b) maintains an investment policy which contains asset mix guidelines which help to ensure that the Pension Fund is able to liquidate investments on a timely basis to meet its pension benefit and other obligations.

Note 4

Amounts 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 local union jurisdiction are remitted on a monthly basis to the Pension Fund of which they are a member.

Note 5

Statement of claim

Certain beneficiaries (the "Plantiffs") of the Pension Fund had a lawsuit in progress, seeking damages of approximately $49,000,000 from those individuals who served as Trustees (the "Defendants") during a number of years up to and including 2000. The Pension Fund itself was not a defendant but was ordered by the Alberta Court of Appeal to pay the legal costs of the Plaintiffs.

In October 2009, the Plaintiffs and the Defendants settled the litigation in the following manner. The Pension Fund had fiduciary liability insurance coverage of $2,000,000 in place from which the insurance company paid legal costs of the defendants in the amount of $439,322. The insurance company also paid the Pension Fund an amount of $1,403,507 which included the litigation expenses incurred by the Pension Fund during the fiscal year 2002 to 2009 in the amount of $932,509.

Note 6

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 7

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 (Canada) Limited ("Mercer") and their determination of the funded position of the Pension Plan as of September 30, 2009 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:

	2009		2008	
	Valuation assumption	Actual	Valuation assumption	Actual
Net investment return	6.25%	9.19%	6.25%	(8.41%)
Hours worked	11,000,000	11,397,700	10,000,000	13,945,386

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

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (Cont'd)

Year ended September 30, 2009

Note 7 (Cont'd)

Obligation for pension benefits (Cont'd)

The Plan's funded position on a going concern basis as of September 30, 2009 is as follows:

	2009	2008
	(000's)	(000's)
Net assets available for benefits	$ 693,354	$ 590,079
Actuarial liability – present value of accrued benefits for:		
Active members	$ 346,442	324,796
Pensioners and survivors	251,496	232,719
Disabled pensioners	30,970	30,043
Deferred pensioners	38,357	34,377
Post-retirement benefits for active retired members	9,729	6,000
	676,994	627,935
Funding excess (unfunded liability) as determined on a going concern basis	$ 16,360	$ (37,856)
Funded ratio	102%	94%

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, 2009 has been determined by Mercer as follows:

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (Cont'd)

Year ended September 30, 2009

Note 7 (Cont'd)

Obligation for pension benefits (Cont'd)

	2009	2008
	($000's)	($000's)
Net assets available for benefits	$ 693,354	$ 590,079
Termination expenses	(1,300)	(1,300)
Net value of assets available to provide benefits	692,054	588,779
Actuarial liability - present value of accrued benefits for:		
Active members	329,931	328,000
Pensioners and survivors	298,526	269,091
Disabled pensioners	36,280	35,336
Deferred pensioners	47,834	43,475
Post-retirement benefits for active retired members	9,729	6,000
Total solvency liability	722,300	681,902
Solvency deficiency	$ (30,246)	$ (93,123)
Solvency ratio (net assets available to provide benefits less/total solvency liability)	96%	86%

Note 8

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 of $162,119 (2008 $170,765) is funded by a life insurance policy which names the Pension Fund as the beneficiary. As at September 30, 2009, the policy had a cash surrender value of $179,974 (2008 - $173,212). Payment of the pension commenced October 1, 2004 upon the retirement of the general manager.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 1 - Investments

Year ended September 30, 2009, with comparative figures for 2008

	2009	2008
Phillips Hager and North Investment Management Ltd.:		
Cash and cash equivalents	$ 106,234	$ 3,605,056
Canadian equities	-	65,058,132
Fixed income securities	152,403,989	145,739,270
	152,510,223	214,402,458
CIBC Global Asset Management Inc.:		
Cash and cash equivalents	2,063,571	24,147,874
Letko, Brosseau & Associates Inc.:		
Cash and cash equivalents	7,347,895	35,729,870
Canadian equities	62,919,866	42,328,981
Non-Canadian equities	85,071,051	46,142,656
Fixed income securities	95,511,139	96,703,679
	250,849,951	220,905,186
Connor, Clark & Lunn Investment Management Ltd.:		
Cash and cash equivalents	1,785	-
Canadian equities	41,764,681	-
	41,766,466	-
QV Investors Inc.:		
Canadian equities	43,275,978	-
Gryphon International Investment Corporation:		
Cash and cash equivalents	43,946	49,083
Non-Canadian equities	117,712,028	109,603,276
	117,755,974	109,652,359
SL Capital Partners LLP:		
Cash and cash equivalents	9	-
Private equities	3,870,122	2,986,872
	3,870,131	2,986,872
Standard Life Assurance Company of Canada:		
Real estate	27,323,056	-
Northleaf Capital Partners:		
Private equities	1,864,152	1,054,707
	$ 641,279,502	$ 573,149,456

Summary:	$	%	$	%
Cash and cash equivalents	9,563,440	1.5	63,531,882	11.1
Canadian equities	147,960,525	23.1	107,387,113	18.7
Non-Canadian equities	202,783,079	31.6	155,745,932	27.2
Private equities	5,734,274	0.9	4,041,580	0.7
Fixed income securities	247,915,128	38.6	242,442,949	42.3
Real Estate	27,323,056	4.3	-	-
	641,279,502	100.0	573,149,456	100.0

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 2 - Net Investment Income (Loss)

Year ended September 30, 2009, with comparative figures for 2008

	2009	2008
Change in fair value of investments	**$ 43,211,927**	$ (76,175,446)
Realized gain (loss) on sale of investments	**(5,676,057)**	6,316,619
Interest income	**4,519,254**	5,456,663
Dividend income	**16,606,798**	15,753,873
Other interest, net	**159,378**	383,920
	58,821,300	(48,264,371)
Investment manager fees	**(2,120,295)**	(1, 682,699)
Investment consulting fees	**(115,801)**	(63,611)
Custodian fees	**(358,767)**	(376,327)
Net investment income (loss)	**$ 56,226,437**	$ (50,387,008)

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Schedule 3 - Administrative Expenses

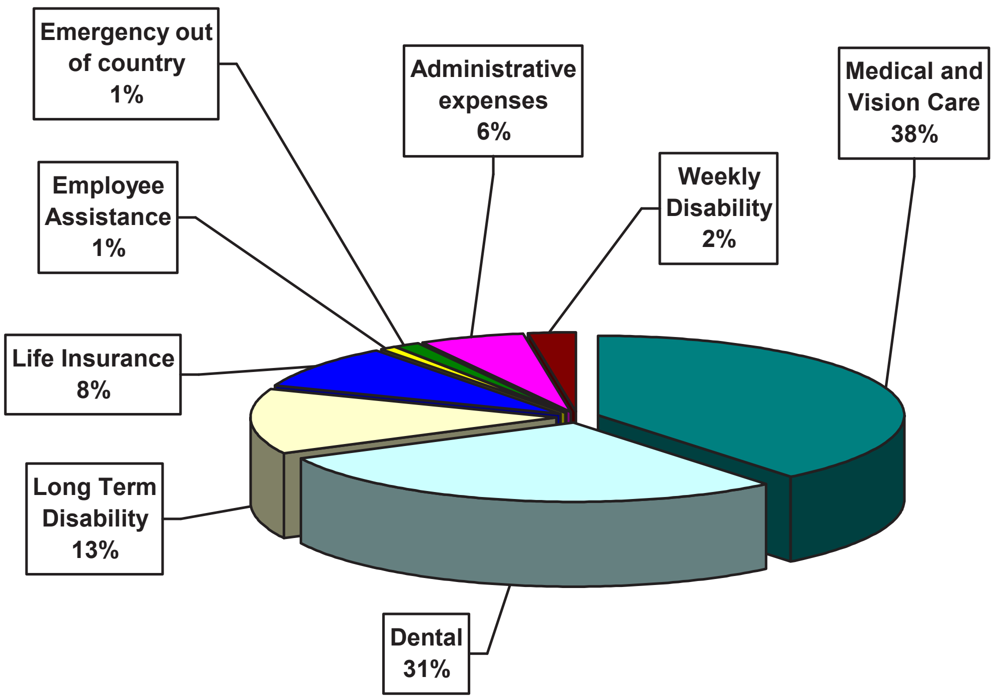
Year ended September 30, 2009, with comparative figures for 2008

	2009	2008
Direct expenses:		
Administration fees	**$ 315,000**	$ 316,065
Litigation expenses (note 5)	**134,760**	226,471
Actuarial and consulting fees	**176,344**	219,200
Independent trustees	**61,910**	62,768
Audit	**52,940**	39,688
Legal	**23,568**	97,130
Retirement benefit, net	**10,740**	11,283
Registration	**20,000**	20,000
Office expenses	**1,241**	3,907
Other expenses	**1,237**	7,423
	797,740	1,003,935
Common expenses shared with the Health and Welfare Fund (note 2(d)):		
Rent	**52,129**	49,646
Postage	**42,223**	46,708
Office expenses	**65,012**	36,646
Annual Report to members	**30,418**	34,943
Travel, conferences and meeting expenses	**21,228**	22,520
Insurance	**7,186**	17,872
Other shared expenses	**5,228**	7,785
	223,424	216,120
Less Health and Welfare Fund's share	**(111,712)**	(108,060)
	111,712	108,060
	$ 909,452	$ 1,111,995

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 2009:



The Health and Welfare Plan provides benefits to active members, disabled and retired members. The Plan 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 guaranteeing the payment of these benefits and therefore Fund bears the risk of the claims arising under these benefits. If there was not enough funding available to pay benefits, the Trustees would amend the Plan to bring funding in line with the cost of benefits.

During the year ended September 30, 2009, on average, the Plan provided benefits to 6,793 active members. During Fiscal 2008 the Plan covered 6,094 active members. The Plan provided benefits to 721 retired members; 699 retired members were covered in Fiscal 2008. The Plan also covered disabled members and widows of members. The Plan provided self-payment benefits to 148 members. Under the self-payment benefit, 141 members had been covered In Fiscal 2008. The tightening of the self payment criteria, introduced during Fiscal 2008, has resulted in 50% fewer persons being eligible for subsidized self-pay benefits.

The Trustees keep aware of what benefits will be the most useful to members. We spend time reviewing what benefit improvements should be made to the Plan in order to continue providing an excellent benefit program.

An important goal of the Trustees is to provide comprehensive life, disability, medical and dental benefits throughout the members' careers. The Plan continues benefits when the member retires. We believe the Plan contributes to the overall good health and wellness of members and their families.

In order to be able to provide sustainable benefits to Plan members, the Trustees must continually monitor the financial experience of the Plan. This ongoing examination of funding and benefit usage will help to ensure that the Plan accumulates the necessary resources needed to meet the potential liabilities of the Plan. The liabilities of the Plan can fluctuate with changes in demographics including the average age of covered members and the mix between active and retired members. Inflation and utilization in health care are also important trends monitored by the Trustees. Secure funding of benefits is our primary governance standard.

The Trustees are also committed to clear, accurate and timely communication with members. A very good resource for information about the Plan is the Plan's Web Site, ***www.epibenefitplans.com***. Changes to the Plan are always communicated to members in newsletters.

The Trustees set high standards for service given to members. The Benefit Office staff is experienced and ready to help members achieve the best the Plan has to offer. Personal and professional guidance is given by staff, over the telephone or in person. During the year the Benefit Office moved and is now located on the second floor of the Union office. An elevator is available for those who wish to use it. Hundreds of members visit the Benefit Office for one-on-one assistance from staff. It is recommended that you call ahead if you need personal assistance. It is not necessary to call ahead to have a claim paid.

Retiree benefits are an important feature of the Plan. Benefits provided to Retirees are highly subsidized by the Plan. The Trustees have made the decision to provide these benefits as long as the funding for them is available. The Trustees may change the amount retired members pay to the Plan for their benefits in order to secure the appropriate level of funding.

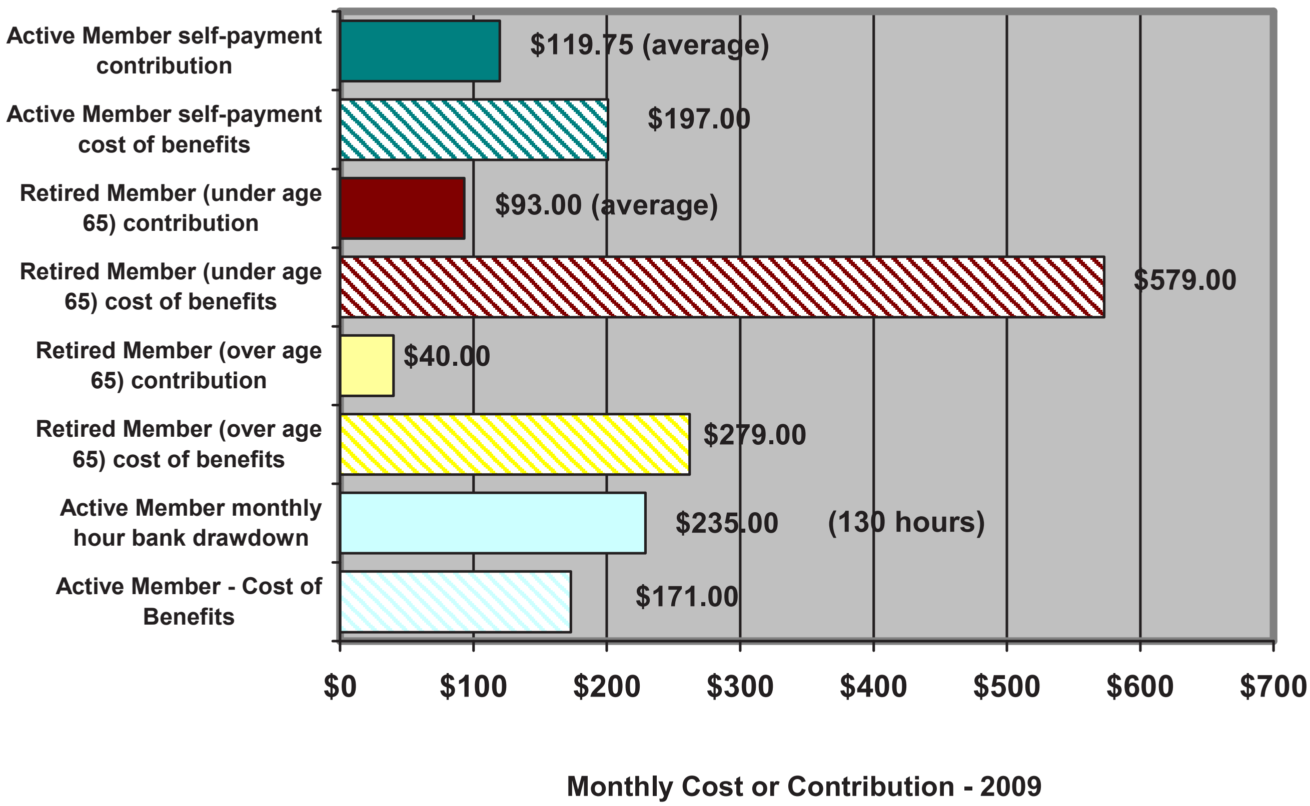
Funding of Welfare Plan Benefits

At the end of Fiscal 2009 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 $51.4 million. Fund equity will support subsidies to members, benefits for retired members and future benefit improvements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

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

This graph 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 2009.



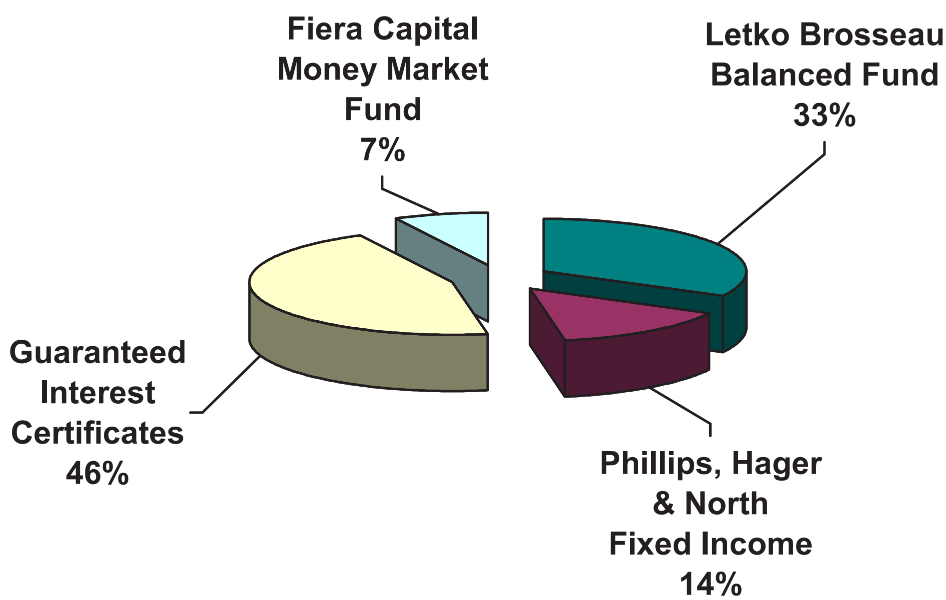
The Trustees continue to monitor the benefits provided by the Plan, and the amount paid for them, with a view to ensuring that the benefits are responsive to the needs of members.

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.

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

The Fund earned investment income of $2.3 million in Fiscal 2009. This is in contrast to an investment loss of $760,000 incurred in Fiscal 2008. Investment income is derived from the Fund's investment in a balanced portfolio managed by Letko Brosseau & Associates. The Fund also has an investment of $11 million managed by Phillips, Hager & North Investment Funds Ltd. This investment is in short term bonds which address the Fund's need for low risk, security of capital and liquidity. The Fund also invests in guaranteed interest certificates and short term money market investments. At the end of Fiscal 2009, the invested assets managed by Letko Brosseau were $25.1 million. Assets invested in money market instruments, including guaranteed interest certificates, totaled $34.5 million. The guaranteed interest deposits were held by Canadian Western Bank and the Royal Bank of Canada. Fiera Capital Management Inc. managed the Fund's money market portfolio which had a value of $5.7 million at the end of Fiscal 2009. A snapshot of where the Fund's assets are invested follows:



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, 2009 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, 2009 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 9, 2009

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

September 30, 2009, with comparative figures for 2008

	2009	2008
Assets		
Cash	$ **4,202,354**	$ 11,121,830
Investments (note 4)	**76,420,429**	60,985,579
Contributions receivable	**3,122,925**	3,720,597
Accrued interest	**47,578**	715,481
Prepaid expenses and deposits	**7,131**	17,914
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	**9,651**	60,752
	$ **83,810,068**	$ 76,622,153
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ **392,422**	$ 243,717
Amounts due to other health and welfare funds (note 6)	**810,266**	1,719,144
Reserve for unpaid claims	**1,666,713**	1,717,126
Reserve for advance contributions	**34,910**	49,586
	2,904,311	3,729,573
Members' equity:		
Reserve for future plan benefits (note 7)	**29,483,698**	29,567,428
Fund equity	**51,422,059**	43,325,152
	80,905,757	72,892,580
	$ **83,810,068**	$ 76,622,153

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, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Employer contributions	**$ 27,739,247**	$ 37,245,908
Members' and pensioners' cash contributions	**602,437**	583,336
Reciprocal transfers from other health and welfare funds (note 6)	**1,094,708**	442,654
Members' optional insurance contributions	**45,187**	55,532
Reciprocal transfers to other health and welfare funds (note 6)	**(4,069,478)**	(9,429,227)
Other	**(14,400)**	15,780
	25,397,701	28,913,983
Net investment income (loss) (Schedule 1)	**2,286,691**	(759,757)
	27,684,392	28,154,226
Benefit expenses:		
Health, dental, vision and short-term disability claims paid	**13,346,912**	12,562,862
Long-term disability premiums	**2,317,608**	2,056,115
Life insurance premiums	**1,991,690**	1,642,072
Accidental death and dismemberment premiums	**462,394**	362,890
Claims administration fees	**501,094**	466,376
Employee assistance program	**224,779**	116,116
Out-of-country insurance premiums	**262,694**	176,988
Members' optional life insurance premiums	**52,939**	52,461
Increase (decrease) in reserve for unpaid claims	**(50,413)**	255,567
	19,109,697	17,691,447
Excess of revenue over benefit expenses	**8,574,695**	10,462,779
Administrative expenses (Schedule 2)	**561,518**	516,468
Excess of revenue over expenses	**8,013,177**	9,946,311
Fund equity, beginning of year	**43,325,152**	39,085,246
Transfer from (to) reserve for future plan benefits	**83,730**	(5,706,405)
Fund equity, end of year	**$ 51,422,059**	$ 43,325,152

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

Year ended September 30, 2009

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, investment and administration of a fund known as The Edmonton Pipe Industry Health and Welfare Fund (the "Health and Welfare Fund"), created pursuant to The Edmonton Pipe Industry Health and Welfare Plan (the "Health and Welfare Plan") which includes all restatements and amendments to July 1, 2009. The Health and Welfare Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 7, 1965 (the "Collective Agreement") and renewed by an arbitration award dated November 6, 2007 for the period until April 30, 2011. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement.

Members are not required to contribute to the Health and Welfare Fund. Employers contribute to the Health and Welfare Fund at the rate specified in a collective agreement. Benefits provided under the Health and Welfare Plan are paid from 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.

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

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

b) 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) 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) 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

Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and present information about the aggregate financial position of the Health and Welfare Fund and the net assets available to meet benefit payments. They are prepared to assist Health and Welfare Plan members and others in reviewing the financial activities of the Health and Welfare Fund for the fiscal period but they do not portray the financial position of the Health and Welfare Plan, its funding requirements nor the benefit security of individual Health and Welfare Plan members. Because the precise determination of certain assets and liabilities is dependent upon future events, 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. These 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) 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.

(b) 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.

(c) 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.

(d) 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, less investment management fees.

(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.

Note 2 (Cont'd)

Summary of significant accounting policies (Cont'd)

(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

Financial instruments

The fair values of investments are as described in Note 2. The fair values of other financial assets and liabilities approximate their carrying values due to the short-term nature of these financial instruments. The risks associated with the financial instruments are as set out below.

(i) Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or by other factors affecting all instruments traded in the market. As all of the Health and Welfare Fund's financial instruments are carried at fair value with fair value changes recognized in the statements of operations and changes in fund equity, all changes in market conditions will directly affect the operations and changes in fund equity. Market price risk is managed through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Interest rate risk

Interest rate risk is the risk associated with short-term changes in nominal interest rates. The Health and Welfare Fund manages interest risk by establishing investment mix limits.

(iii) Credit risk

Credit risk is the 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.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Health and Welfare Fund is exposed to risks arising from its holdings of foreign currency denominated equities and fixed income securities whereby the exchange rate of the foreign currency may change in a manner that has an adverse effect on the value of investments denominated in currencies other than Canadian dollars. Such risk is mitigated by the diversification of the balanced fund's investments across many jurisdictions including Canada.

(v) Liquidity risk

Liquidity risk is the risk that the Health and Welfare Fund will not be able to meet its obligations as they fall due. Liquidity risk is mitigated whereby (a) the Health and Welfare Fund maintains sufficient cash to meet its short-term obligations and (b) maintains an investment policy which contains guidelines which help to ensure that the Health and Welfare Fund is able to liquidate investments on a timely basis to meets its health and welfare benefit and other obligations.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (Cont'd)

Year ended September 30, 2009

Note 4

Investments

	Rate	Maturity	2009	2008
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 20, 2009	–	1,958,906
Royal Bank of Canada T-Bill	0.05%	October 1, 2009	4,399,428	–
Royal Bank of Canada T-Bill	0.02%	December 10, 2009	5,202,740	–
Canadian Western Bank GIC	0.33%	January 5, 2010	2,279,006	–
Royal Bank of Canada T-Bill	0.40%	February 18, 2010	10,985,318	–
Canadian Western Bank GIC	1.778%	April 3, 2010	733,000	–
Royal Bank of Canada T-Bill	0.40%	June 10, 2010	10,985,325	–
			34,584,817	33,783,894
Letko, Brosseau & Associates - balanced fund			25,139,069	21,594,166
Fiera Capital Management Inc. - money market pooled funds			5,677,898	5,607,519
Phillips, Hagar & North Investment Funds Ltd. - short-term bond and mortgage fund			11,018,645	––
			$ 76,420,429	$ 60,985,579

Note 5

Due from The Edmonton Pipe Industry Pension Trust Fund

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

Note 6

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 are remitted on a monthly basis to the local union of which they are a member.

Note 7

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 $29,483,698 as of September 30, 2009 (2008 - $29,567,428) is comprised of two components calculated as follows:

(a) For active members, an estimated provision based on (i) the average actual cost of benefits for such members for the 12 months ended September 30, 2009 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 estimated provision based on (i) the average actual cost of benefits for such group of persons for the 12 months ended September 30, 2009 multiplied by (ii) 36 months.

Note 8

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, 2009, with comparative figures for 2008

	2009	2008
Increase (decrease) in fair value of investments	**$ 683,952**	$ (3,329,155)
Interest income	**995,333**	1,918,123
Pooled investment income	**677,602**	719,320
	2,356,887	(691,712)
Investment management fees	**70,196**	68,045
Net investment income (loss)	**$ 2,286,691**	$ (759,757)

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Schedule 2 – Administrative Expenses

As at September 30, 2009, with comparative figures for 2008

	2009	2008
Direct expenses:		
Administration fees	$ 315,000	$ 316,516
Independent trustees	31,787	31,257
Audit	19,294	19,480
Office expenses	14,817	12,974
Legal	712	8,821
Bank charges	50,324	6,621
Computer maintenance	10,338	3,000
Consulting	3,667	6,431
Accounting and computer processing	552	––
Other expenses	3, 315	3,308
	449,806	408,408
Common expenses shared with the Pension Fund [note 2(e)]:		
Rent	52,129	49,646
Postage	42,223	46,708
Office expenses	65,012	36,646
Annual Report to members	30,418	34,943
Travel, conferences and meeting expenses	21,228	22,520
Other shared expenses	5,228	7,785
Insurance	7,186	17,872
	223,424	216,120
Less Pension Fund's share	(111,712)	(108,060)
	111,712	108,060
	$ 561,518	$ 516,468