For the
members of
The Edmonton
Pipe Industry

Pension Trust Fund
and
Health and Welfare Fund

2011
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

CIBC Global Asset Management Inc., Toronto, Ontario
Brookfield Asset Management Inc., Toronto, Ontario
Marathon Asset Management, LP, New York, New York, USA
Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia
Letko Brosseau & Associates Inc., Montreal, Quebec
Gryphon International Investment Corporation, Toronto, Ontario
Standard Life Investments (Private Equity) Limited, Edinburgh, Scotland
Northleaf Capital Partners, Toronto, Ontario
JP Morgan Investment Management Inc., New York, New York, USA
Clairvest Group Inc., Toronto, Ontario
Standard Life Assurance Company of Canada, Toronto, Ontario
Connor, Clark & Lunn Investment Management Ltd., Vancouver, British Columbia
QV Investors Inc., Calgary, Alberta
Westpen Properties, Vancouver, British Columbia
Trez Capital Asset Management, Toronto, Ontario
Duet European Asset Management, London, England
GE Asset Management – Toronto, Ontario

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

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia

Health and Welfare Plan Employee Assistance Program Provider

Construction Employees Family Assistance Plan (CEFAP), Calgary, Alberta

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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 December 31, 2011. The Annual Report provides an accounting to the Members of the highlights of the Funds' activities for the past 15 months.

Note that throughout this Annual Report comparisons will be made to 2010 which covered the 12 month period October 1, 2009 to September 30, 2010 whereas 2011 covers the 15 month period October 1, 2010 to December 31, 2011.

The Board of Trustees, after consultations with legal counsel and the auditor, changed the Plans' year end from September 30th to December 31st in order to portray a more precise accounting for the Funds' assets as most, if not all, of the investments are reported, and audited, on a calendar year basis. The Trustees sought and received approval for the change in year end from both Alberta Finance & Enterprise and the Canada Revenue Agency. Members were informed of this change by letter in October, 2011.

The 2011 Annual Report covers the activities of both Funds for the 15 months from October 1, 2010 to December 31, 2011.

Board of Trustees

Our trust agreements are key governance documents for the Funds. They set out the roles and responsibilities of the Trustees. Our trust agreements establish that the Board of Trustees will be made up 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.

Pension Trust Fund

As at December 31, 2011, the Pension Fund had assets of $911.4 million, an unfunded liability of $51.1 million and a funded ratio of 95%. At the end of Fiscal 2010 the Fund had assets of $813.5 million an unfunded liability of $2.2 million and a funded ratio of 99%.

For the 15 months ended December 31, 2011 the Fund earned a rate of return of 5.6% (9.7% for Fiscal 2010) net of all fees.

The improvements to benefits on October 1, 2010 were made after careful deliberation, and consultation about future investment returns and income from contributions made to the Pension Fund. The Funding and Benefits Policy section of this Report will show Members the guidance the Trustees use when making decisions about the benefits which can be provided by the Plan.

For more information about the Pension Plan's funding status at the end of Fiscal 2011, reference should be made to the Actuarial Valuation section of this Report. It is important to note that the investment earnings assumption in our actuarial valuation at December 31, 2011 was reduced from 5.90% to 5.50%. 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 the Plan's professional advisors, about likely long term investment returns given the appropriate asset mix for the Fund. As we have reported in other Annual Reports, the Trustees have received guidance that we should always consider our expectations for future returns in the investment markets.

Our commitment to the Members is to protect the benefits provided to you by the Pension Plan. We strive to accomplish this protection by continuing 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)

The Plan's Members had contributions remitted on 13.6 million hours for the 15 months ended December 31, 2011. Our budget for hours worked was 10 million hours. The Pension Plan's target expectation for hours worked in the 2012 fiscal year is 12 million hours. Our ongoing monitoring of the economic environment, particularly the demand for energy, is critical to the funding formula for the Pension Plan. It is a constant reminder that the Pension Plan, and all its Members, are fully linked to Alberta and the global economy.

Our funding policies 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. 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. We have to balance conservatism in funding against the benefits the Plan can provide. The Trustees believe that their processes have helped Members to be confident in the benefits provided by the Plan.

Diversification of the Fund's assets is critical to the success of the Plan and Fund. The Trustees always review the Pension Fund's investment manager structure and asset mix. Our review is always conducted using the due diligence information available and the guidance of the Plan's professional advisors. The Plan's asset mix is set with an understanding of the Plan's liabilities. Our asset mix also takes into consideration the risk and return profiles of major asset classes. We know from history that equities (stocks) earn higher returns than bonds when measured over the long term. We also know, because we have seen it happen, that there will be years when the stock market has negative returns and bond markets will have positive returns. We always have to balance these return probabilities. The Trustees also understand that non-traditional investments will provide a steady stream of income to the Fund and that their returns will be less volatile. The Trustees made a decision to allocate assets of the Fund to private equity, infrastructure and real estate investments in order to protect the Plan and Fund from the more volatile equity markets while still accomplishing the investment return needed. The Statement of Investment Policies and Procedures provides 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 rates of return and risk metrics which the Trustees believe are important to the Plan's overall investment mix. All of the Fund's investments are managed by professional investment managers. The investment managers are measured on an ongoing basis and compared to their peers by an independent party. The Trustees regularly meet with the investment managers.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

In February 2011 the Trustees announced that pension accrual rate would be increased by 26% for all active Members and that retired Members and widows would have their pensions in pay increased by 5%. These improvements were retroactive to October 1, 2010.

The Plan's Funding and Benefits Policy will continue to guide the actions of the Trustees as we evaluate the benefits provided by the Pension Plan.

Health and Welfare Fund

The Health and Welfare Fund continues to be in very good financial condition. As at December 31, 2011, net assets were $93.8 million compared to $89.9 million at September 30, 2010. During the 15 months ended December 31, 2011, the Plan paid $25.7 million to Members medical, dental, vision care and short term disability benefits. This is $5.8 million more than was paid for the 12 months ended September 30, 2010.

Effective January 1, 2011 the Plan was improved to increase the dental benefit calendar year maximum from $2,250 to $2,500 per covered person. Also, effective July 1, 2011 the dental benefit was further improved so that the basis of reimbursement of dental expenses was increased from the 2009 to the 2010 fee guide proxy in use by group benefit plans in Alberta.

The Plan's vision care benefit was also improved, effective January 1, 2011 so that the 5 year maximum benefit for contact lenses was increased to $500, from $250, per covered person.

The Trustees continually monitor the Plan's benefits to ensure that the benefits delivered keep pace with changes in the health care industry. Of course, we must also ensure that the benefits provided are appropriate for the contributions paid to the Fund – the Members must be given the very best value for contributions that the Plan can prudently afford.

In 2011 the Trustees engaged Mercer Canada to perform an Actuarial valuation of the Plan's benefits to determine the funds that would need to be set up as a Reserve should the Trustees decide to grant Retiree benefits indefinitely as opposed to the current funding practice of a 3 year Reserve. The result of this Valuation showed that the Plan would need a Reserve in excess of $59 million for the current group of Retired Members and that each year a further $19 million would be required to adequately fund that Reserve for the Active Members who will qualify at some point in time for the Retiree benefit plan.

A governance standard of the Trustees is high quality service to Plan Members. During the 15 months ended December 31, 2011 over 79,000 claims were processed by the Benefit Office. Members are always 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, they can expect their claim to be processed in 3 days. All of the services delivered by the Benefit Office, including preparation of retirement documents, are managed by the knowledgeable staff who are trained and skilled in the delivery of your benefits. The Benefit Office staff demonstrate commitment to the high standard of care expected by the Trustees.

General Comments

The Trustees believe that the Pension Plan is positioned to protect benefits and to withstand years when markets are again volatile. This involves many hours of review of materials provided by the actuary, auditor, investment managers, investment consultant and the administration services provider. In the end, we believe that The Edmonton Pipe Industry Plans demonstrate good governance in all aspects of the Plans and Funds.

The Board of Trustees met 8 times over the 15 months ended December 31, 2011.

Submitted on behalf of the Trustees,

W. D. Grace, FCA
Chairman, Board of Trustees
June, 2012

PENSION FUND HIGHLIGHTS AND COMMENTARY

Note to Reader: 2010 is 12 months; 2011 is 15 months

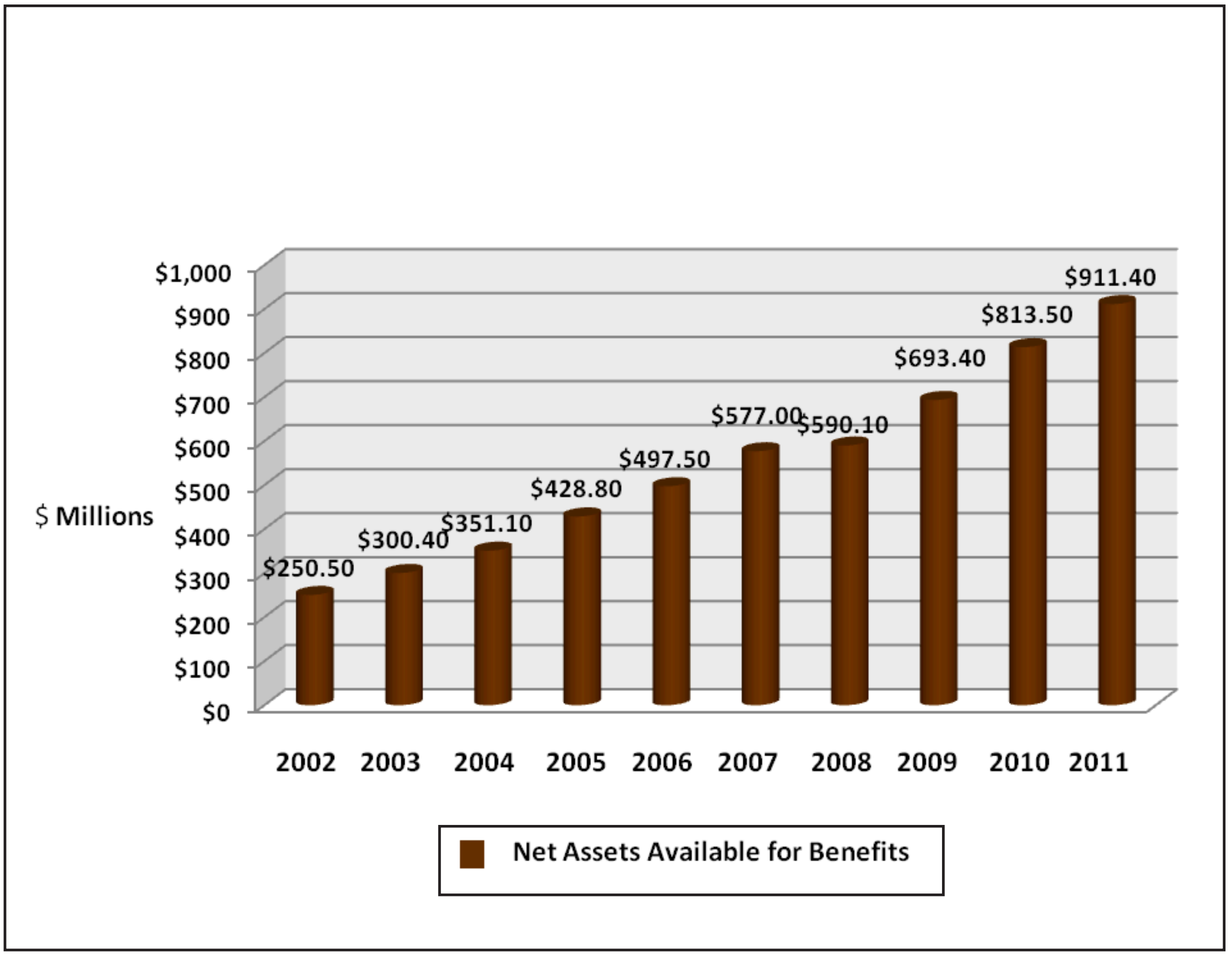
Pension Fund Assets

At December 31, 2011, the Pension Fund had $911.4 million in net assets available for benefits. This is an increase of $97.9 million compared to the net assets available for benefits at September 30, 2010. Net employer contributions in 2011 were $98.2 million, an increase of $9.0 million compared to 2010.

The Pension Fund received net contributions in respect of 13.6 million hours worked during 2011. During 2010 the Fund received contributions in respect of 12.9 million hours.

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

GROWTH IN PENSION FUND ASSETS 2002 - 2011

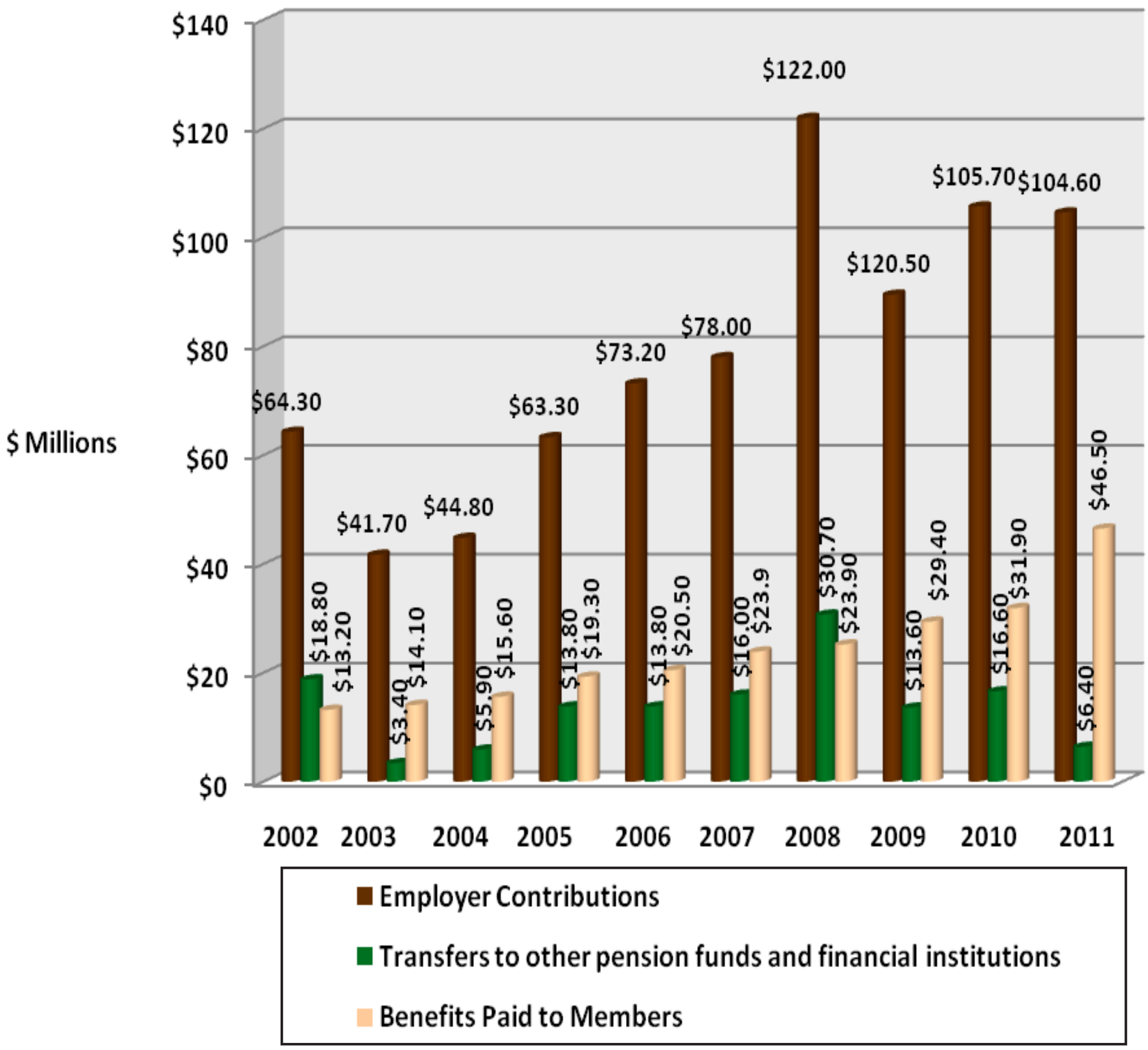


Pension Fund Contributions

During 2011, contributing employers paid $104.6 million into the Pension Fund on behalf of Members, compared to $105.7 million in 2010.

From the $104.6 million received, the Pension Fund transferred $6.4 million to other pension funds and financial institutions on behalf of individuals who were subject to reciprocal agreements or who terminated membership in the Pension Plan.

For the 15 months ended December 31, 2011, the Pension Fund paid $46.5 million ($31.9 million in 2010) in pension and disability benefits.

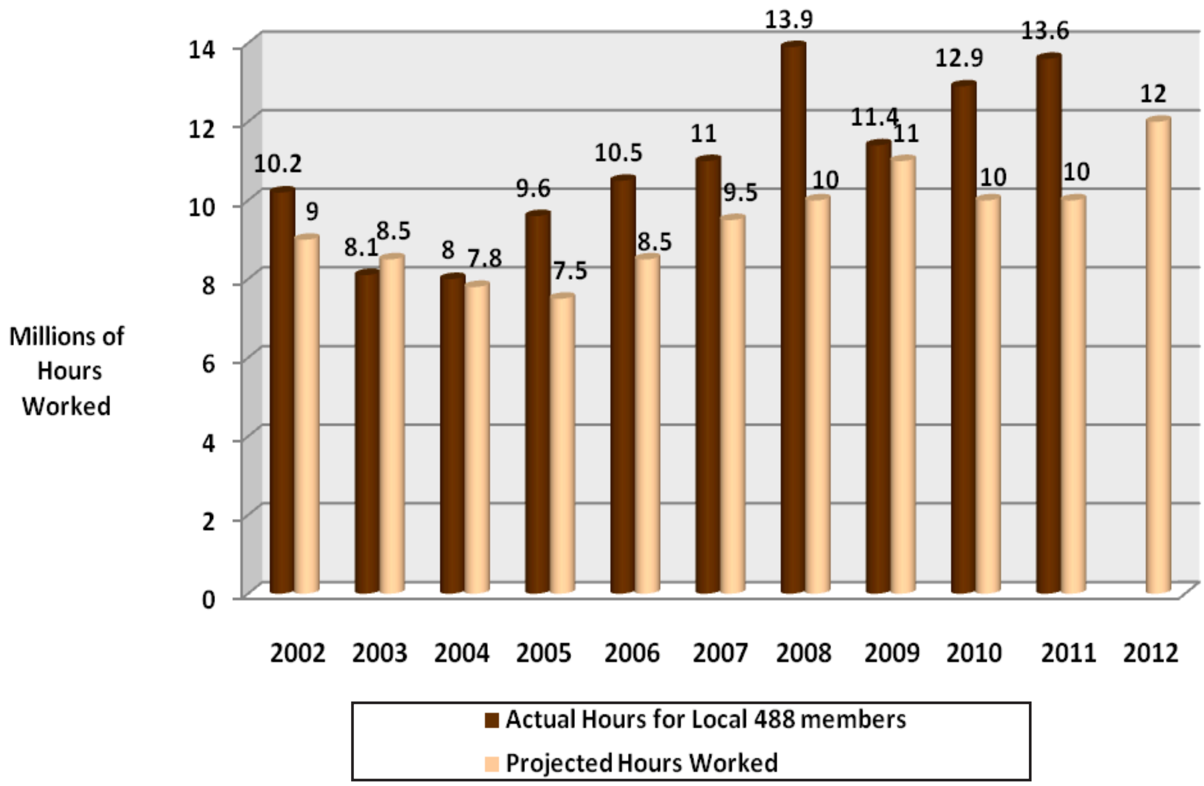


Employer Contributions and Hours Reported to the Pension Fund

During the 15 months ended December 31, 2011, the Pension Fund received employer contributions based on 15.3 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 1.0 million hours to other pension funds on behalf of union members who were not members of Local 488. Retired Members earned 687,000 hours. Therefore the net contributions to the Pension Fund were based on 13.6 million hours worked by Local 488 members.

For Fiscal 2012, the Pension Plan will use an assumption that 12 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 industry watchers. The Trustees' assumption for hours worked, used for actuarial valuation purposes, is also discussed with the Pension Plan's actuary. The Trustees have set the hours worked assumption using their very best estimates and with some margin in case the work picture is not as robust as we expect.

PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2002 – 2012



Pension Fund Investment Rate of Return

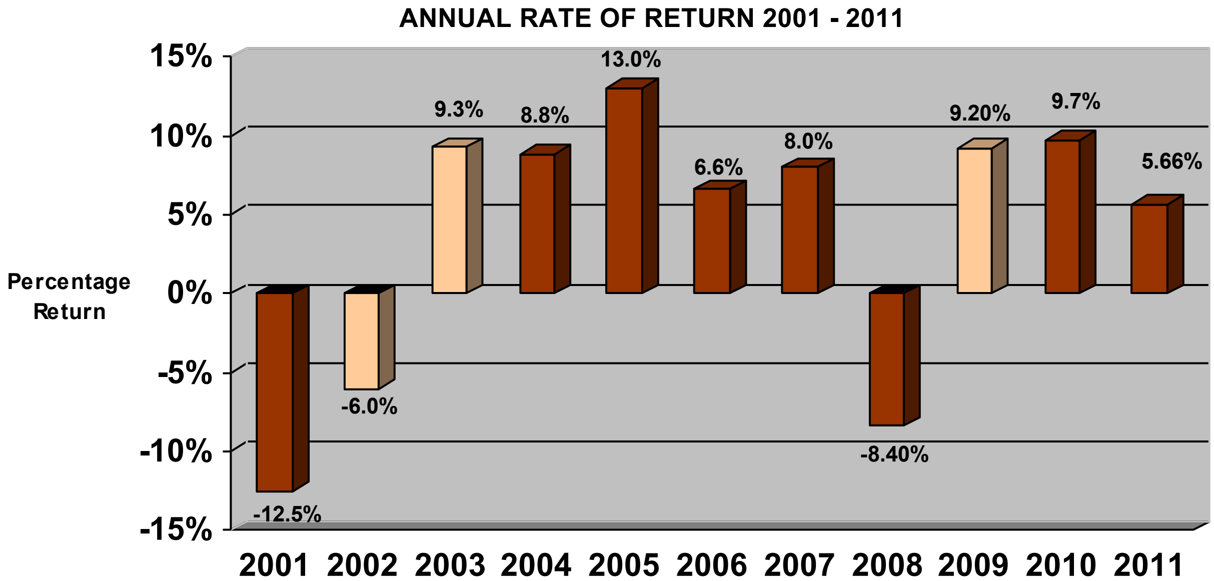
The major market returns for the year ended December 31, 2011 (and compared to 2010 returns) were;

Market	Return for the Year Ended December 31, 2011	Return for the Year Ended September 30, 2010
Canadian Equity	-8.7%	11.6%
Canadian Bonds	9.6%	7.3%
Non Canadian Equity	-4.1%	3.1%
Treasury Bills	1.0%	0.4%

For the 15 months ended December 31, 2011, the Pension Fund earned a positive rate of return of 5.6%. In Fiscal 2010, the Fund had a rate of return of 9.7%. Fiscal 2009's return was 9.19%. The Pension Plan's actuarial target investment return for the 2011 actuarial valuation was 5.5% compared to 5.9% used in 2010. The chart below shows Members the annual rates of return of the Pension Fund from 2001 to 2011 inclusive. The Trustees use methods to protect the Fund from some of the volatility in investment markets but all volatility cannot be diversified away. The Pension Plan's benefits have benefitted from the participation of the Fund in the global economy. The Fund's asset diversification has helped to guide the Pension Fund through troubled times. There is an upside and a downside to almost any investment, including cash. The upside is a high and positive return on the investment or that the investment helps to stabilize returns; the downside is that the investment produces a negative return or introduces risk to the Pension Fund.

The Fund's target investment return assumption of 5.50% was set after the Trustees took into consideration the continued volatility in the global investment markets. We think that future years may not produce high total returns. So, after consideration of the consensus for future market returns, the investment return assumption was reduced from 5.9% to 5.50%. This assumption will be reviewed again when the Fiscal 2012 valuation is prepared.

Pension Fund Investment Rate of Return (Cont'd)



Pension Fund Investments

For the 15 months ended December 30, 2011 the Fund's investments returned 5.6% after fees. The median pension fund measured by our independent performance measurement service returned 3.2% for the 15 months ended December 31, 2011.

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.

Pension Fund Investments (Cont'd)

In making their investment decisions, the Trustees employ an important analytical tool called "Value at Risk". Value at Risk (VAR) is used to determine how the Fund's current investment managers and asset classes are expected to perform in the future and how each will offset the risk of the other and add to the value of the Fund. The same VAR tool is used to evaluate prospective investment managers. The tools the Trustees use to measure and manage the Fund help the Trustees anticipate how the Fund's investments will grow in the future and how the Fund's investments can be shaped to protect the target benefits of the Plan.

As part of their ongoing management of the Fund, during 2011 the Trustees completed another 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 December 31, 2011 (based on market values)
	Minimum	Median	Maximum	
Cash and Cash Equivalents	0%	0%	4%	2.5%
Private Equities	0%	10%	20%	2.6%
Publicly Traded Equities (Canadian)	10%	20%	30%	23.7%
Publicly Traded Equities (Foreign)	10%	20%	30%	23.7%
Canadian Fixed Income (Bonds)	20%	25%	40%	32.9%
Real Estate	3%	10%	20%	7.7%
Infrastructure	3%	10%	20%	2.7%
Alternate Fixed Income	3%	5%	10%	4.2%

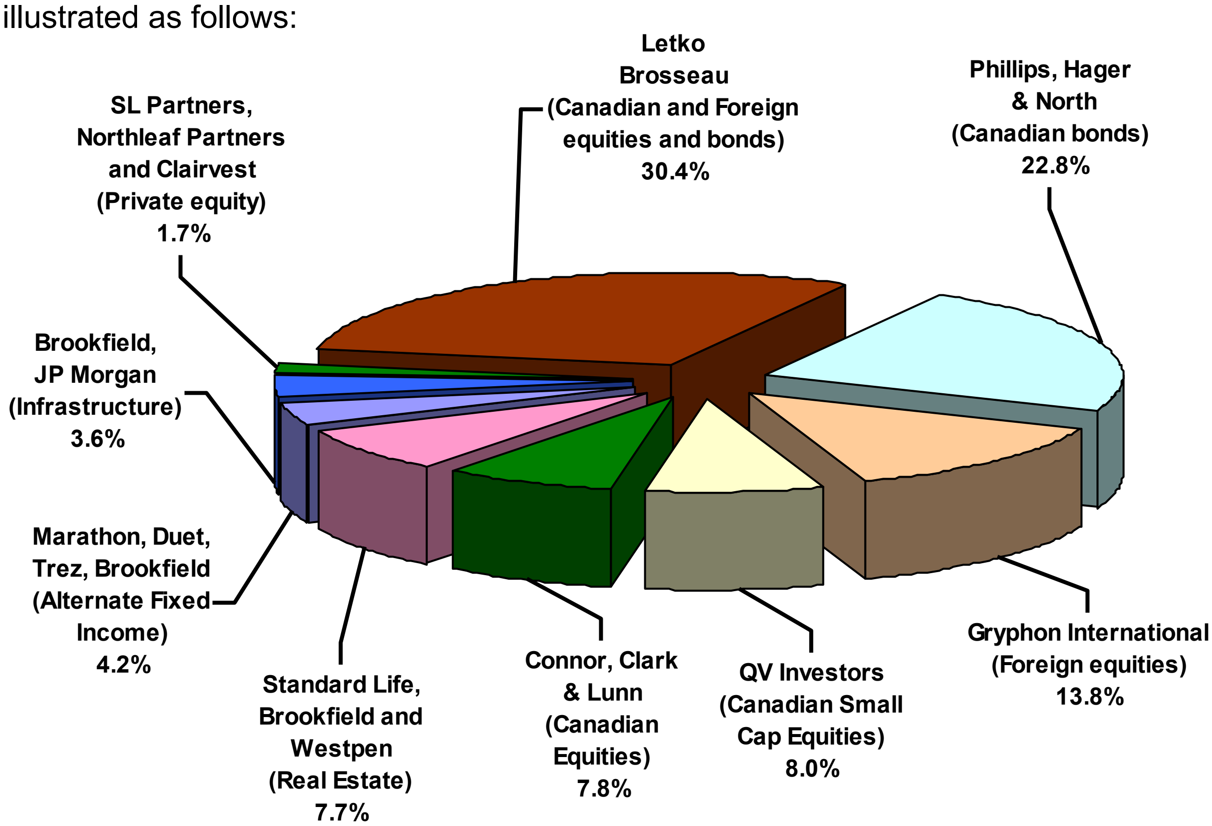
Starting in Fiscal 2007 the Trustees set targets for investments in private equity, real estate and infrastructure. These are named "non-traditional" investments. In order to balance the asset allocation and to ensure that the Plan's benefits are adequately funded, the target allocation to fixed income (bonds) was decreased. During 2011 the Fund's commitments to private equity and infrastructure increased. Investments in all assets and all asset classes are made following a program of due diligence which the Trustees carry out with the guidance of the investment consultant.

Pension Fund Investments (Cont'd)

The Trustees have policies in place to monitor the overall asset mix of the Fund and to guide the investment of contributions from employers and investment income.

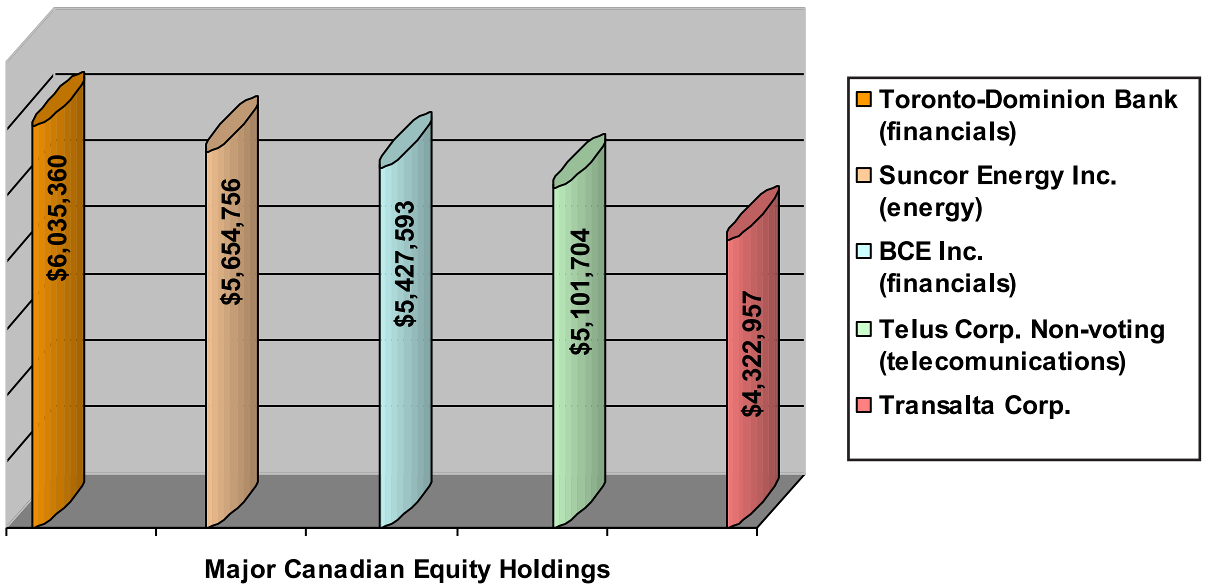
An important element of Fund governance is that the Trustees set standards for the performance of the investment managers and measure the actual performance against the standards. The Trustees retain an independent investment consultant to assist them in this monitoring responsibility. On a quarterly basis, the Trustees receive reports which give very detailed information about the investment activities of each investment manager along with the return they achieved in the quarter. The Trustees compare this information to their standards and review whether the standards have been achieved, or not achieved. If standards are not achieved, the Trustees consider whether the performance deficiency is temporary. The Trustees are prepared to take action in the event they believe an investment manager's performance will not meet the standard.

The Pension Funds assets are divided amongst 18 independent investment managers. In addition, the Fund's Custodian, CIBC Global Asset Management, manages the Fund's short term cash assets. The Trustees have a policy for the allocation of employer contributions which gives guidance about where new monies received by the Fund will be invested. These guidelines also protect the Fund from too much market risk. For example the asset allocation guideline would reallocate monies after a period of high returns in one market – following the adage "what goes up must come down" – assets would be taken out of a market which has just performed very well, before the investment loses value ("comes down") in a market correction. The allocation of Fund assets to the independent investment managers, as at December 31, 2011, is illustrated as follows:



Equities

At the end of 2011, the Pension Fund had $212.7 million, or 23.7% of its assets, invested in Canadian equities. The Fund's largest Canadian equity holdings at December 31, 2011 were:



The one year return of the Canadian equity market was -8.7%. This was a significant decrease from a return of 11.6% for Fiscal 2010.

The Pension Fund had $213.5 million, or 23.7% of its assets, invested in non-Canadian publicly traded equities. The United States equity market had a currency adjusted return of 4.4% in Fiscal 2011. Non-North American markets, not including Canada, had a Canadian dollar return of -9.7% in 2011.

Equities (Cont'd)

Currency was a factor again in 2011. At December 31, 2011 the Canadian dollar appreciated by 5.7% compared to the United States dollar. In fact, the Canadian dollar appreciated against most major currencies in 2011, notably by 12.6% compared to the Euro. Currency fluctuation is important because the Plan's returns from non-Canadian markets will be diminished when the Canadian dollar is increasing in value. When the Canadian dollar is depreciating against foreign currencies, there is a positive impact on the Plan's returns. During Fiscal 2010 the Trustees decided to participate in a currency hedging program in order to protect the Fund's returns from some currency fluctuation. The Trustees believe the implementation of the currency hedging program further aligns the assets available to the Pension Plan with its liabilities which are all measured in Canadian dollars.

In 2011 the European, Australian and Far East (EAFE) equity market returned -9.7% in Canadian dollars. In 2010 this market produced a return of 2.4% and, the year before, a return of 14.3%. The Fund's investments in this market are important to the diversification of the Fund and the protection of the Plan's benefits.

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 have engaged 18 professional, active investment managers to implement the asset mix strategy. Investment managers are retained under specific mandates which set out permissible investments and return expectations. The Fund's 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 and the given mandate.

The Trustees also measure the investment manager's results against appropriate performance targets established by the Trustees. The Trustees retain independent investment counsel to measure the result of the Fund's investments. The Fund's independent investment consultant also assists the Trustees as they conduct their due diligence on prospective investment managers and mandates. The investment consultant also educates the Trustees about emerging investment issues.

Fixed Income

At December 31, 2011, the Pension Fund's fixed income investments totaled $295.4 million which is approximately 32.9% of total assets. At September 30, 2010, 37.6% of the Fund was invested in fixed income. The Fund's fixed income investments include corporate bonds as well as bonds issued by Canadian federal and provincial governments.

Fixed Income (Cont'd)

For the year ended December 31, 2011 the broad based Canadian bond market return, measured by the DEX Universe, was 9.7%. The Fund has set the DEX Long Bond return as the benchmark return for our fixed income investments. This benchmark is more closely aligned with the duration of the Plan's liabilities. In 2011 the DEX Long Bond index return was 18.1%.

Over the long term, the fixed income asset class is expected to return about 4%. The fixed income market could become quite volatile when interest rates start to rise. So far this rise has been delayed while consumers recover from the recession and governments continue some stimulus. Given the low long term return expectation from fixed income, the Trustees looked to other asset classes such as equities, real estate and infrastructure to diversify the Fund and to earn enough return to protect the Plan's benefits.

During the year the Fund was further diversified; more money was taken out of fixed income and invested in infrastructure, real estate and private equity – these asset classes are expected to generate long term, risk adjusted returns superior to what is estimated from fixed income markets.

Investment Policy

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 investment professionals who specialize in the evaluation of investment managers when examining existing and prospective investment managers to the Fund. Changes to the team of investment 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, alternative fixed income and private equity. The Trustees employ an investment model called Value at Risk (VAR) to guide their investment decisions.

The Value at Risk (VAR) research conducted by the Trustees has been very important as the Trustees consider new Fund investments and evaluate new investment managers.

PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

The Plan has a Funding and Benefit Policy. This Policy sets guidelines for the Trustees about what considerations to take when thinking about the Plan's benefits and how to react if the Plan becomes under financial stress or when it has surplus. The Funding and Benefits Policy also helps Members to understand what to expect from the Plan.

The Trustees must always act in the best interest of Plan Members, by ensuring that the benefits provided by the Plan are sustainable. One of the products of an actuarial valuation is the demonstration of benefit security.

When the Trustees conduct their review about whether the Plan's benefits can be improved, the Trustees are 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 are to 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. The increased contributions received by the Fund have been used to pay down the Plan's unfunded liabilities. The current contribution rate is $6.61. The current cost of benefits is $4.69 per hour. The difference goes to pay off the Plan's going concern and solvency liabilities.

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

The Plan's Funding and Benefits Policy is posted on the Plans' website www.epibenefitplans.com

ACTUARIAL VALUATION

Membership Data	**2011**	2010	2009	2008	2007	2006	2005	2004
Number of active members	**8450**	9246	9027	8869	7122	6283	5937	5193
Average age of active members (in years)	**40.2**	39.6	39.2	38.9	40.1	40.1	40.1	41.1
Average hours worked	**1995**	1665	1481	1755	1696	1802	1696	1633
Number of pensioners (including disabled)	**2451**	2223	2109	1977	1831	1704	1597	1488
Average age of pensioners (in years)	**69.3**	69.1	68.9	68.7	68.7	68.6	68.5	68.5

The Pension Plan's 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. This result is compared to 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 also 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.

As part of satisfying their responsibility for monitoring the Pension Plan, the Trustees have an actuarial valuation of the Plan carried out each 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 for investment return, hours worked or life expectancy, are not met by the actual results of the Plan, the Trustees can take early corrective action, if necessary. The results of the actuarial valuation are taken into consideration when the Trustees review whether benefit improvements can be made.

Each year the Trustees review and approve the assumptions to be included in the actuary's preparation of the actuarial valuation. The Trustees are confident that the Plan's assumptions are realistic forecasts about the Plan's future. The assumptions include a reasonable margin in case there is a poor result in investment markets, contributions to the Fund or Plan demographics.

ACTUARIAL VALUATION (Cont'd)

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

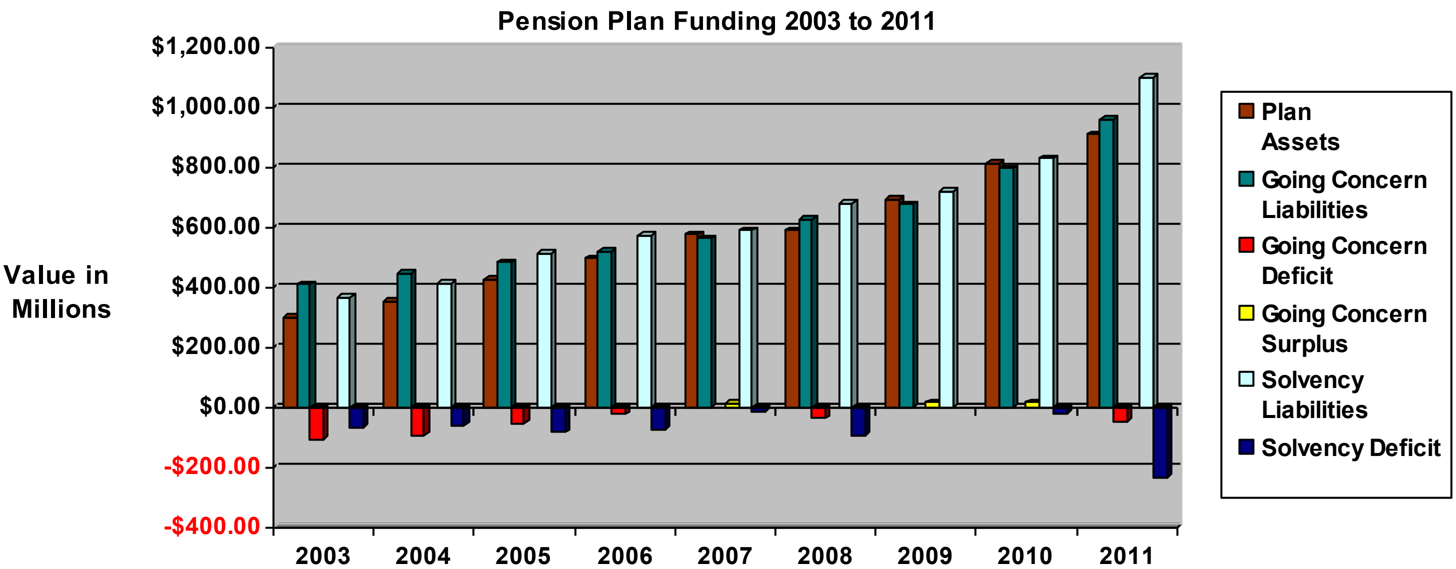
- *The rate of return that the Pension Fund's investments will earn.* This assumption predicts the future growth of the Pension Fund's assets.

  For the 2011 actuarial valuation, the target rate of return on Fund investments was decreased from 5.90% to 5.50%. This is the average rate that the Pension Fund's investments are expected to earn in the long term. The Trustees anticipate that, over short periods of time, the Fund's actual investment returns will be higher or lower than our 5.50% 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.

- *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 15 months ended December 31, 2011, Local 488 members worked a total of 13.6 million hours, significantly more than the forecast of 10 million hours. For Fiscal 2012 the Plan's assumption is that Local 488 members will work 12 million hours. The assumption regarding hours worked is closely monitored at each Trustees' meeting. The Trustees are assuming 12 million hours will be worked by Local 488 members in Fiscal 2012 to Fiscal 2016 inclusive. Starting in Fiscal 2017 it is assumed that hours worked will start to decrease.

For the fiscal year ending December 31, 2011, the actuary provided an Actuarial Cost Certificate to confirm 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 taking into consideration the benefit improvements announced by the Trustees, the Plan's solvency deficiency should be eliminated by the end of Fiscal 2016. The Trustees have filed the actuarial valuation with the Pension Plan regulators.

The Pension Plan's funding status from 2003 to 2011 is shown in the illustration:



ACTUARIAL VALUATION (Cont'd)

The Plan's solvency funding ratio deteriorated to 79% from 98% at the end of 2011. The Plan had a solvency deficiency of $19.2 million at the end of Fiscal 2010. At December 31, 2011, the solvency deficiency had increased to $236.0 million.

Differences between the Plan's funding position of 95% when measured on the going concern basis and a funded ratio of 79% when measured using solvency rules arise 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 3.31% per annum, not 5.50% 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 the solvency deficiency over the time permitted 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 2016.

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. For the 15 months ended December 31, 2011 the cost of this benefit was $2.2 million. This benefit cost the Plan $1.1 million for the 12 months ended September 30, 2010. In total, the cost of the Plan's defined contribution benefit for retired Members is $13.4 million.

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. The Board's Investment Committee meets with investment managers and the investment consultant and makes recommendations to the Trustees in respect of the management of the Fund's investments.

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 of Trustees 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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Edmonton Pipe Industry Pension Trust Fund, which comprise the statement of financial position as at December 31, 2011, the statements of changes in net assets available for benefits and changes in pension obligations for the fifteen month period from October 1, 2010 to December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of The Edmonton Pipe Industry Pension Trust Fund (Cont'd)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Edmonton Pipe Industry Pension Trust Fund as at December 31, 2011, and the changes in its net assets available for benefits and the changes in its pension obligations for the fifteen month period from October 1, 2010 to December 31, 2011 in accordance with Canadian accounting standards for pension plans.

Comparative information

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements which describes that the Edmonton Pipe Industry Pension Trust Fund adopted Canadian accounting standards for pension plans on October 1, 2010 with a transition date of October 1, 2009. These standards were applied retrospectively by management to the comparative information in these financial statements including the statement of financial position as at September 30, 2010, and the statement of changes in net assets available for benefits and changes in pension obligation for the year ended September 30, 2010 and related disclosures. We are not engaged to report on the restated comparatives information, and as such, it is unaudited.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
April 17, 2012

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Financial Position

December 31, 2011, with comparative figures for September 30, 2010

	December 31, 2011	September 30, 2010
ASSETS		
Investments (note 4)	$ 899,019,142	$ 805,975,258
Cash	8,313,565	1,423,858
Contributions receivable	5,418,730	8,765,998
Accounts receivable	91,816	114,072
Other assets	14,096	225,580
	912,857,349	816,504,766
LIABILITIES		
Accounts payable and accrued liabilities	978,241	1,236,655
Amounts due to other pension funds (note 5)	439,739	1,649,552
Other liabilities	-	152,893
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 6)	15,125	1,388
	1,433,105	3,040,488
Net assets available for benefits	911,424,244	813,464,278
Pension obligations (note 7)	945,982,000	797,415,000
Accumulated surplus (deficit)	$ (34,557,756)	$ 16,049,278

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Fifteen month period ended December 31, 2011, with comparative figures for the year ended September 30, 2010

	Fifteen month Period ended December 31, 2011	Year ended September 30, 2010
Increase in net assets:		
Investment and other income (note 8)	$ 38,159,667	$ 23,334,778
Net realized gains on the sale of investments	13,731,492	-
Changes in net unrealized gains	3,024,837	47,939,743
Employer contributions (note 9):		
Current service	60,434,431	50,287,020
Special contributions	38,366,000	51,948,000
Pension credits and reciprocal transfers in	5,768,740	3,479,329
	159,485,167	176,988,870
Decrease in net assets:		
Net realized losses on the sale of investments	-	4,221,532
Benefit payments:		
Retirement	39,426,972	27,345,565
Transfers and lump sum payments	6,389,248	4,351,517
Death benefits	654,878	250,227
Pension credits and reciprocal transfers out	6,357,920	16,552,674
Investment manager and custodian fees	7,404,713	3,258,472
Administrative expenses (note 10)	1,291,470	899,059
	61,525,201	56,879,046
Increase in net assets available for benefits	97,959,966	120,109,824
Net assets available for benefits, beginning of period	813,464,278	693,454
Net assets available for benefits, end of period	$ 911,424,244	$ 813,464,278

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Pension Obligations

Fifteen month period ended December 31, 2011, with comparative figures for the year ended September 30, 2010

	Fifteen month Period ended December 31, 2011	Year ended September 30, 2010
Pension obligations, beginning of period	$ 797,415,000	$ 676,994,000
Benefit improvement granted October 1	18,274,000	27,140,000
Pension obligations after benefit improvements	815,689,000	704,134,000
Benefits accumulated	55,274,000	35,077,000
Pension credits and reciprocal transfers in	5,769,000	3,479,000
Pension credits and reciprocal transfers out	(129,000)	(73,000)
Benefits paid	(46,471,000)	(31,946,000)
Interest on pension obligations at 5.90% (2010 – 6.25%)	60,690,000	44,213,000
Impact of assumption changes	55,160,000	39,600,000
Net experience losses	-	2,932,000
Pension obligations, end of period	$ 945,982,000	$ 797,415,000

See accompanying notes to financial statements.

Note 1

Description of the Plan

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations - an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated October 1, 1968 (the "Pension Trust Agreement") which has been amended and restated as of August 13, 2007. The Pension Trust Agreement provides for the establishment, maintenance, investment and administration of a trust fund known as The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund") created pursuant to The Edmonton Pipe Industry Pension Plan (the "Plan") which includes all restatements and amendments to 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 for the period until April 30, 2015.

The following is a brief summary of the main provisions of the Plan in effect at December 31, 2011. 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 for $4.83 for service on or after October 1, 1992 and prior to October 1, 2009. Effective October 1, 2009, for each full 100 covered hours, a member who is in good standing with the Union earns a monthly pension credit of $5.07 for service on or after October 1, 1999 and prior to October 1, 2009.

Effective October 1, 2009, for each full 100 covered hours, a member earns a monthly pension credit of $5.07 for service on or after October 1, 2009. Members working 1,800 hours in a year would earn a year's credit of $91.35.

Effective October 1, 2010, for each full 100 covered hours, a member earns a monthly pension credit of $6.40 for service on or after October 1, 2010. Members working 1,800 hours in a year would earn a year's credit of $115.20

A member is credited with 1/6 of a year of credited service for the first 300 hours worked in a year, and an additional 1/6 of a year for each additional 200 hours above 300, to a maximum of 1 year per year.

Note 1

Description of the Plan (Cont'd)

I 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.

(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 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 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

Basis of preparation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for pension plans 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.

(a) Basis of presentation:

Effective October 1, 2010, the Pension Fund adopted Section 4600, Pension Plans ("Section 4600"), of The Canadian Institute of Chartered Accountants' ("CICA") Handbook which replaces Section 4100, Pension Plans. The Pension Fund is required to follow the requirements set out in Section 4600 for the measurement, presentation and disclosure of its investments and pension obligations.

In selecting or changing account policies that do not relate to its investment portfolio, the Pension Fund has a choice to either comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CICA Handbook, or accounting standards for private enterprises in Part II of the CICA Handbook, to the extent that those standards do not conflict with the requirements under Section 4600. The Pension Fund has chosen to comply on a consistent basis with IFRS in Part I of the Handbook. The new recommendations have been implemented retrospectively and have no material impact on the financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are recorded at fair value through changes in net assets available for benefits.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Note 3

Significant accounting policies:

(a) Foreign currency:

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

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

(b) Investment transactions, income recognition and transaction costs:

(i) Investment transactions:

Investment transactions are accounted for on a trade date basis.

(ii) Income recognition:

Income from investments is recorded on an accrual basis and includes interest income, dividends, pooled investment income and earnings from private equity and alternative fixed income investments.

(a) Interest:

Interest income, including interest income from non-derivative financial assets at fair value through profit or loss, are recognized in the statement of changes in net assets available for benefits, using the effective interest method.

(b) Dividend income:

Dividend income is recognized in the statement of changes in net assets available for benefits on the date that the right to receive payment is established, usually the ex-dividend date.

(c) Pooled investment income:

Income from pooled investments is comprised of interest, dividends and realized gains from Canadian and foreign sources and is recognized in the statement of changes in net assets available for benefits when earned.

(d) Earnings from private equity and alternative fixed income investments:

Income from private equity and alternative fixed income investments is comprised of interest, real estate operating income and other investment related income and is recognized in the statement of changes in net assets available for benefits when earned.

(iii) Transaction costs:

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits when incurred.

Note 3 (Cont'd)

Significant accounting policies (Cont'd)

(c) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Pension Fund becomes a party to the contractual provisions of the instrument.

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

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

The Pension Fund classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the statement of changes in net assets available for benefits if the Pension Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Pension Fund's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets at fair value through the statement of changes in net assets available for benefits are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

(ii) Financial liabilities:

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

The Pension Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Note 3 (Cont'd)

Significant accounting policies (Cont'd)

(c) Financial assets and financial liabilities (Cont'd)

(ii) Financial liabilities (Cont'd)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Pension Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Pension Fund considers its accounts payable and accrued liabilities, amounts due to other pension funds, other liabilities and due to the Edmonton Pipe Industry Health and Welfare Fund to be financial liabilities.

(d) Fair value measurement

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

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

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

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

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

Note 3 (Cont'd)

Significant accounting policies (Cont'd)

(d) Fair value measurement (Cont'd)

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

Fair values of investments are 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 quoted closing prices where available. Where quoted prices are not available, estimated values are calculated using comparable securities.

(iii) Private equities, infrastructure investments, real estate investments and other alternative fixed income 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

(iii) Cont'd

General Partner using accepted industry valuation methods using valuations as of December 31, 2011 (2010 – September 30, 2010) being the most recently available market information. These methods include considerations such as earnings multiples of comparable public-traded companies, discounted cash flows and third party transactions, or other events which would suggest a change in value of the investment.

(e) Common expenses:

Certain expenses are shared equally between the Pension Fund and the Health and Welfare Fund, an organization operated out of the same premises and under the same Board of Trustees and management.

(f) Income taxes:

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

Note 4

Investments

	December 31, 2011	September 30, 2010
By investment manager:		
Direct investments:		
Letko, Brosseau & Associates Inc.	$ 272,194,919	$ 269,577,060
Pooled funds:		
Phillips Hager & North Investment Management Ltd.	$ 203,674,860	$ 208,129,046
CIBC Global Asset Management Inc.	2,311,670	1,954,686
Connor, Clark & Lunn Investment Management Ltd.	69,665,818	66,281,997
QV Investors Inc.	71,570,140	66,444,553
Gryphon International Investment Corporation	123,560,220	127,230,633
	470,782,708	470,040,915
Private equity:		
SL Capital Partners	8,127,425	6,474,158
Northleaf Capital Partners	7,753,808	3,109,564
Clairvest Equity Partners	4,031,747	1,156,964
Brookfield Asset Management Inc.	2,811,226	2,544,168
GE Asset Management Fund	423,449	-
	23,147,655	13,284,854
Alternative fixed income:		
JP Morgan Infrastructure Investments Fund	19,334,686	19,869,340
Brookfield Asset Management Inc.	25,640,025	-
Marathon Asset Management	5,020,450	4,497,858
Standard Life Assurance Company of Canada	32,744,154	28,705,231
Trez Capital Finance LP	20,090,431	-
Duet Real Estate Finance Fund	7,890,285	-
Westpen Properties Ltd.	20,640,425	-
Bison Income Trust	1,267,755	-
Velocity Trade	265,649	-
	132,893,860	53,072,429
	$ 899,019,142	$ 805,975,258

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (Cont'd)

Fifteen month period ended December 31, 2011

Note 4

Investments (Cont'd)

	December 31, 2011	%	September 30, 2010	%
By investment type:				
Cash and cash equivalents	$ 22,196,978	2.5	$ 13,399,179	1.7
Canadian equities	212,697,484	23.7	202,607,400	25.1
Non-Canadian equities	213,508,209	23.7	222,540,496	27.6
Private equities	23,147,649	2.6	10,740,513	1.3
Fixed income securities	295,358,698	32.9	303,032,867	37.6
Alternative fixed income	37,548,997	4.2	4,497,858	0.6
Infrastructure	23,999,903	2.7	20,451,714	2.5
Real estate	70,561,224	7.7	28,705,231	3.6
	$ 899,019,142	100.0	$ 805,975,258	100.0

Note 5

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 6

Due to The Edmonton Pipe Industry Health and Welfare Fund

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

Note 7

Pension obligations

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, 2010, and then extrap9olated to December 31, 2011 is set out below. The actuarial extrapolation and valuation are 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 determining the pension obligations were developed as the best estimate of expected future market conditions and other future events. After consultation with Mercer, the Board of Trustees adopted these best estimates. The major assumptions used in the extrapolation and valuation, with the comparison to the actual, are as follows:

	December 31, 2011		September 30, 2010	
	Extrapolation assumption	Actual	Valuation assumption	Actual
Investment return	5.50%	5.66%	5.90%	8.84%
Hours worked	12,500,000	13,659,000	10,000,000	12,853,958

Investment return represents investment income net of investment manager and custodian fees.

Notes to Financial Statements (Cont'd)

Fifteen month period ended December 31, 2011

Note 8

Investment and other income

	Fifteen month Period ended December 31, 2011	Year ended September 30, 2010
Direct investments:		
Interest	$ 5,149,896	$ 4,236,641
Dividends	7,474,690	4,441,621
Pooled funds investment income	20,621,525	13,984,020
Private equity investment income	638,069	330,849
Alternative fixed income investment income	4,070,580	230,835
Other income	204,907	110,812
	$ 38,159,667	$ 23,334,778

Note 9

Employer contributions

Commencing May 1, 2010, contributions are made by employers at a negotiated rate of $6.61 per hour (May 1, 2009 - $6.31 per hour). Included in this rate are current service contributions and required special contributions to fund a solvency deficiency determined in the most recent actuarial valuation for funding purposes prepared by Mercer as of September 30, 2010.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (Cont'd)

Fifteen month period ended December 31, 2011

Note 10

Administrative expenses

	Fifteen month Period ended December 31, 2011	Year ended September 30, 2010
Direct expenses:		
Administration fees	$ 450,277	$ 325,238
Actuarial and consulting fees	260,670	153,353
Investment consulting fees	143,500	75,783
Independent trustees	87,836	61,656
Audit	78,890	47,701
Legal	43,340	51,272
Registration	25,000	20,000
Retirement benefit	20,189	10,161
Other expenses	4,217	2,241
	$ 1,113,919	$ 747,405
Common expenses shared with the Health and Welfare Fund (note 3(e)):		
Rent	159,915	134,218
Office expenses	73,322	76,657
Annual Report to members	64,620	55,682
Travel, conferences and meeting expenses	29,081	16,167
Postage	23,482	27,215
Other shared expenses (recoveries)	4,682	(6,631)
	355,102	303,308
Less Health and Welfare Fund's share	(177,551)	(151,654)
	177,551	151,654
	$ 1,291,470	$ 899,059

Note 11

Capital risk management

The main objective of the Pension Fund is to sustain a certain level of net assets in order to meet the pension obligations of the Plan. The Pension Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Pension Fund Trustees. The Pension Fund manages net assets by engaging knowledgeable investment managers who ar charged with the responsibility of investing existing funds and new funds in accordance with the approval SIPP. Increases in net assets are a direct result of investment income generated by investments held by the Pension Fund and contributions into the Pension Fund by Party Employers. The use of net assets is for benefit payments to eligible Plan members.

Note 12

Financial instruments

(a) The fair values of investment are a described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, accounts 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.

Fair value measurements recognized in the statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for assets and liabilities that are not based on observable market data.

Notes to Financial Statements (Cont'd)

Fifteen month period ended December 31, 2011

Note 12 (Cont'd)

Financial instruments (Cont'd)

The following table illustrates the classification of the Pension Fund's financial instruments using the fair value hierarchy as at December 31, 2011:

December 31, 2011	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 22,196,978	$ -	$ -	$ 22,196,978
Canadian equities	71,461,527	141,235,957	-	212,697,484
Non-Canadian equities	89,968,148	123,540,061	-	213,508,209
Private equities	-	-	23,147,649	23,147,649
Fixed income securities	-	295,358,698	-	295,358,698
Alternative fixed income	-	-	37,548,997	37,548,997
Infrastructure	-	-	23,999,903	23,999,903
Real estate	-	-	70,561,224	70,561,224
	$ 183,626,653	$ 560,134,716	$ 155,257,773	$ 899,019,142

September 30, 2010	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 13,399,179	$ -	$ -	$ 13,399,179
Canadian equities	69,883,651	132,723,749	-	202,607,400
Non-Canadian equities	95,362,454	127,178,042	-	222,540,496
Private equities	-	-	10,740,513	10,740,513
Fixed income securities	-	303,032,867	-	303,032,867
Alternative fixed income	-	-	4,497,858	4,497,858
Infrastructure	-	-	20,451,714	20,451,714
Real estate	-	-	28,705,231	28,705,231
	$ 178,645,284	$ 562,934,658	$ 64,395,316	$ 805,975,258

Notes to Financial Statements (Cont'd)

Fifteen month period ended December 31, 2011

Note 12 (Cont'd)

Financial instruments (Cont'd)

The following table reconciles the Pension Fund's Level 3 fair value measurements from September 30, 2010 to December 31, 2011:

December 31, 2011	Alternative fixed income	Private equities	Infrastructure	Real estate	Total
Balance, beginning of period	$ 4,497,858	$ 10,740,513	$ 20,451,714	$ 28,705,231	$ 64,395,316
Cash balance, beginning of period	-	-	1,961,844	-	1,961,844
Net investment income	801,663	2,566,788	1,661,319	8,774,651	13,804,421
Purchases	33,473,461	9,931,987	1,853,463	34,161,247	79,420,158
Sales	(1,369,778)	-	(1,238,968)	(1,017,009)	(3,625,755)
Transfers in (out)	145,855	(91,639)	(132,780)	164,095	85,531
Cash balance, end of period	(62)	-	(556,689)	(226,991)	(783,742)
Balance, end of period	$ 37,548,997	$ 23,147,649	$ 23,999,903	$ 70,561,224	$ 155,257,773

September 30, 2010	Alternative fixed income	Private equities	Infrastructure	Real estate	Total
Balance, beginning of period	$ -	$ 5,734,273	$ -	$ 27,323,056	$ 33,057,329
Cash balance, beginning of period	-	-	-	-	-
Net investment income	287,907	(163,946)	(444,117)	1,382,175	1,062,019
Purchases	4,378,291	5,151,416	22,897,485	-	32,427,192
Sales	-	-	(39,810)	-	(39,810)
Transfers in (out)	(168,340)	18,770	-	-	(149,570)
Cash balance, end of period	-	-	(1,961,844)	-	(1,961,844)
Balance, end of period	$ 4,497,858	$ 10,740,513	$ 20,451,714	$ 28,705,231	$ 64,395,316

There were no significant transfers between Level 1, Level 2 and Level 3 during the 15 month period ended December 31, 2011 or the year ended September 30, 2010.

Note 12 (Cont'd)

Financial instruments (Cont'd)

(b) Associated risks:

(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 those changes are caused by factors specific to an individual investment, its issuer or all 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 statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Plan through construction of a diversified portfolio of instruments traded on various markets and across various industries.

The Pension Fund's investments in equities are also sensitive to market fluctuations. An immediate hypothetical decline of 10% in Canadian and non-Canadian equity values will impact the Pension Fund's equity investments by an approximate loss of $42,620,569 (2010 - $42,514,790).

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Approximately 30.9% (2010 – 38.4%) of the Pension Fund's investments are in liquid securities traded in public markets. These include Canadian and non-Canadian equity, which is approximately 18.0% (2010 – 20.5%) of the Pension Fund's total investments, cash and fixed income securities. Although market events could lead to some investments becoming illiquid, the diversity of the Pension Fund portfolios should ensure that liquidity is available for benefit payments. The Pension Fund also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2011, the Pension Fund has cash in their operating bank account in the amount of $8,313,565 (2010 - $1,423,858).

Note 12 (Cont'd)

Financial instruments (Cont'd)

(b) Associated risk (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table summarizes the maturities of the fixed income securities held as direct investments at the end of the period by the earlier of the contractual re-pricing dates or the maturity dates:

	December 31, 2011	September 30, 2010
Contractual re-pricing date for fixed-rate instruments:		
Within 1 year	$ 1,016,113	$ 225,540
1 to 5 years	17,938,350	37,585,055
5 to 10 years	49,985,377	38,778,911
Over 10 years	22,773,375	18,342,977
	$ 91,713,215	$ 94,932,483

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Pension Fund primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the Pension Fund is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Pension Fund's assets or liabilities denominated in currencies other than the Canadian dollar.

(iv) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Pension Fund. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

Note 12 (Cont'd)

Financial instruments (Cont'd)

(b) Associated risk (Cont'd)

(iv) Credit risk (Cont'd)

The Pension Fund's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to credit risk, a comprehensive investment policy has been devel9oped which limits the purchase of fixed income securities to those having a credit rating of BBB or higher by the Dominion Bond Rating Service. There were no significant concentrations of credit risk in the portfolio in either 2011 or 2010. The maximum credit risk exposure as at December 31, 2011 is $432,979,368 (2010 - $365,567,740), comprised of contributions receivable and accounts receivable of $5,510,546 (2010 - $8,880,070) and fixed income securities, alternative fixed income, infrastructure and real estate investments of $427,468,822 (2010 - $356,687,670).

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Pension Fund's investments will fluctuate due to changes in market interest rates. To properly manage the Pension Fund's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Pension Fund's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 100 basis point or 1% increase in interest rates, with all other variables held constant, would impact fixed income investments by an estimated loss of $9,196,446 (2010 - $9,529,611).

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

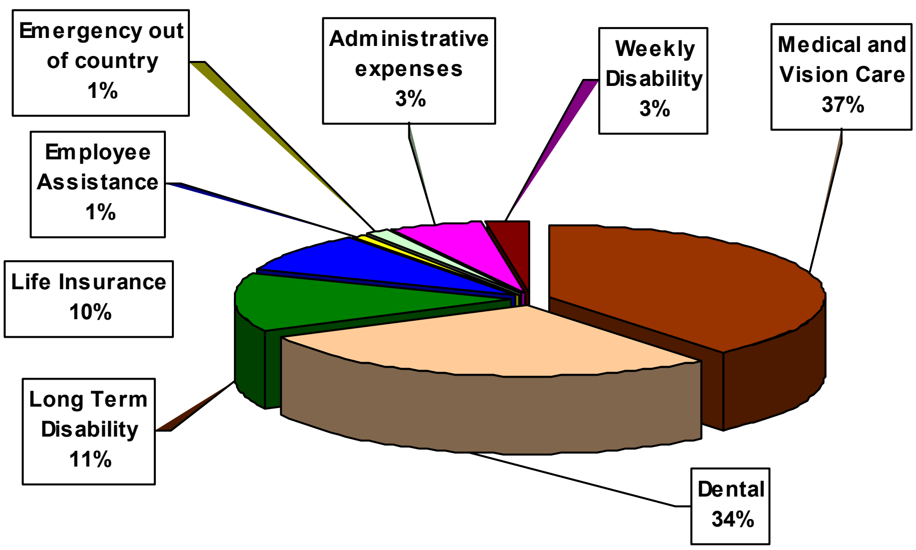
HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

The Trustees of the Health and Welfare Fund have the objective of providing a plan of benefits to covered Members to help offset normal health care expenses. In addition the Plan is designed to provide valuable benefits to help the Members and their families when there are major events such as death and disability. The Health and Welfare Plan provides life insurance, disability and health care benefits to active and disabled Members. The Plan provides life insurance, health and dental care benefits to retired Members. The Plan also provides health and dental benefits to the widows of active and retired Members. We believe the Plan contributes to the overall good health and well being of Plan Members and their families.

During the 15 months ended December 31, 2011, on average, the Plan provided benefits to 6,910 active Members. During the 12 months ended September 30, 2010 the Plan, on average, covered 6,976 active Members. The Plan also provided benefits to 876 retired Members, 27 disabled Members and 283 widows of Members. The Plan provided 200 Members with benefits under the self-payment program.

The Trustees also have the adequate funding of the Plan as an important objective. The Plan is financed under several funding arrangements including insurance policies underwritten by 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. The Fund bears all of the risk of claims arising under these benefits. If there is not enough funding available to pay benefits, the Trustees would amend the Plan to bring funding in line with the cost of benefits.

During Fiscal 2011 the Fund issued payments of over $25.7 million to cover the claims for eligible health care, disability and life claims of Members and their families. This chart illustrates where the claims dollars were spent in Fiscal 2011:



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

In order to offer 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 has the necessary resources needed to meet the potential liabilities of the Plan. The liabilities of the Plan will fluctuate because of changes in our demographics and the Trustees must ensure that the Plan is responsive to the changing health care needs of the Members. The average age of our membership is increasing. Retired Member benefits are very highly subsidized by the Fund and, as the Plan covers more Retired Members, we must be careful to hold enough in reserve to support the coverage allowed under the Plan. Inflation and utilization in health care are also important trends monitored by the Trustees.

After a careful review of the Plan's coverage and contributions, the Trustees announced the Plan would be improved as follows:

1. Effective with dental expenses incurred on/after July 1, 2011, eligible expenses were reimbursed on the basis of the 2010 fee guide used by the Plan;
2. Effective with eligible dental expenses incurred on/after January 1, 2011, the maximum benefit was increased from $2,250 to $2,500 per person, per calendar year.
3. Effective with eligible expenses incurred on/after January 1, 2011, the five-year maximum contact lens benefit was increased to $500 per person from $250.

During 2010 there was health care legislation proposed in Alberta which would have impacted the Plan dramatically. The government proposed to make private health care plans, like ours, the first payor of drug expenses for seniors over age 65. The Plan has always been funded on the basis that the provincial medicare program would be the first payor for Members over age 65. The Trustees are certain that, if the proposed legislation ever came into effect, the Plan's benefits would be dramatically changed. The proposed legislation has not proceeded.

Also during 2010 the Alberta government passed legislation to control the price pharmacies may charge for generic drugs. This legislation should have a positive impact on the Plan, however the implementation period for the pricing changes is extended. Also, there are no real controls over the cost of the brand name drug on which the generic drug pricing is based.

In 2010 the federal government made proposals which would change how the Plan's future benefits could be funded. The proposed income tax legislation, which introduced a new form of health benefit trust, could have severely limited the Trustees' ability to set aside money for benefits due more than one year in the future. If this legislation had come into law, the Trustees would have had to immediately reconsider how retired Member benefits are offered. In the end the proposed legislation did not proceed.

In addition to providing excellent health care benefits, the Trustees have set a standard for 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 services offered to Members. The Benefit Office staff is experienced and ready to help Members achieve the best the Plan has to offer. Hundreds of Members visit the Benefit Office for one-on-one assistance from staff. The Benefit Office has now moved into its new offices on the second floor of the Local 488 office building. There is elevator and stair access to the Benefit Office. It is not necessary to call ahead if you wish to drop in to have a claim paid. It is recommended that you call ahead if you would like to have a personal discussion with staff – so that the Benefit Office can assure the right resources are available to help.

Funding of Welfare Plan Benefits

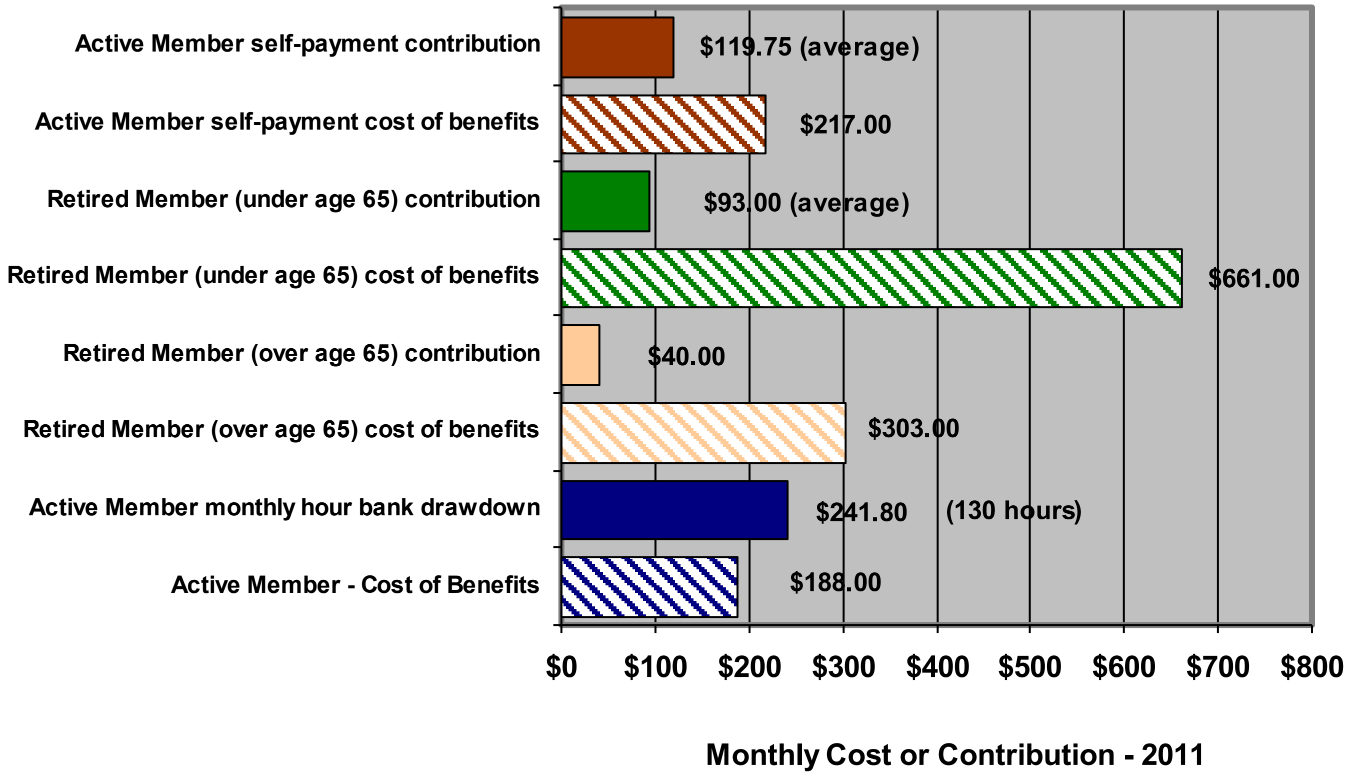
At December 31, 2011 the Fund had sufficient assets on hand to provide benefits to active Members for the entire amount deposited to their hour banks. The Fund also retained sufficient monies to provide retiree benefits for a period of 36 months.

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 and there are no legislative barriers to providing them. The Trustees may change the type of benefit provided, or the amount retired Members pay to the Plan for benefits, in order to secure the appropriate level of funding.

After the Fund had set aside sufficient money to cover its defined liabilities, the Fund held a reserve of $60 million, called Fund equity. Fund equity will support subsidies to Members, benefits for retired members and future benefit improvements.

The following 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 for the 15 months ended December 31, 2011.

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



The chart below shows how the average monthly cost of benefits has changed compared to 2009 and 2010:

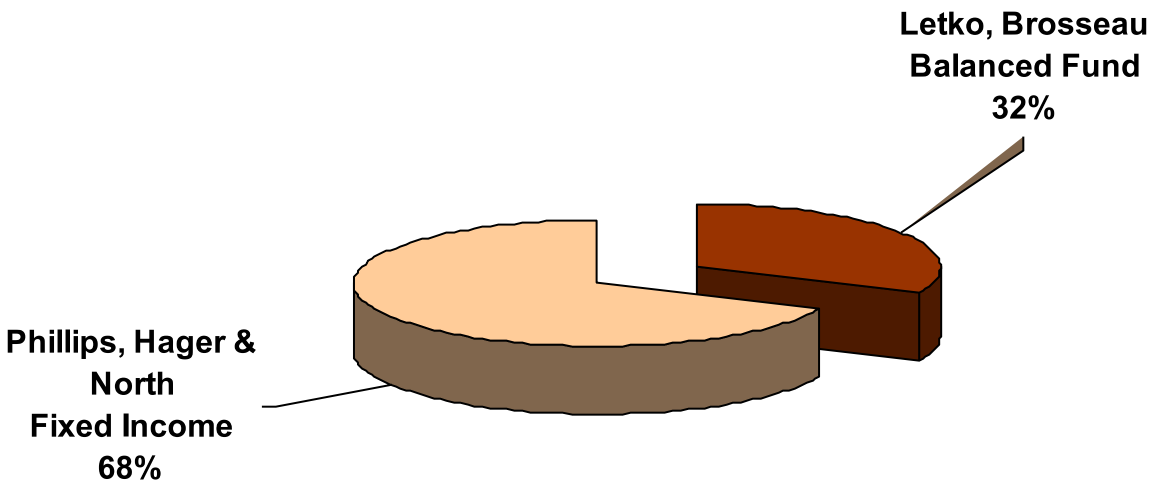
Classification	Fiscal 2011 Average Monthly Cost of Benefits	Fiscal 2010 Average Monthly Cost of Benefits	Fiscal 2009 Average Monthly Cost of Benefits	Change in Cost of Benefits 2010 to 2011	Change in Cost of Benefits 2009 to 2011
Active Members using self-payment	$217.00	$183.00	$197.00	+18.6%	+10.2%
Retired Members under age 65	$661.00	$579.00	$671.00	+14.2%	-1.1%
Retired Members over age 65	$303.00	$290.00	$279.00	+4.5%	+8.5%
Active Members	$188.00	$171.00	$174.00	+10%	+8.3%

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

WELFARE FUND INVESTMENTS

The Fund's investments are governed by 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 the subsidies. Without investment income, earned under a conservative investment mandate, the active Members' hour bank drawdown would be higher. The Fund's investment policy ensures that there are sufficient liquid assets on hand to pay benefits and premiums. The investment policy also allows some assets to be invested in longer-term securities.

The Fund earned investment income of $3.9 million in Fiscal 2011 ($3.0 million in Fiscal 2010). Investment income is earned from a balanced portfolio managed by Letko, Brosseau & Associates. At December 31, 2011, the assets managed by Letko, Brosseau had a market value of $28.3 million. The Fund also has an investment of $61.9 million managed by Phillips, Hager & North Investment Funds Ltd. This investment is in short term bonds which addresses the Fund's need for security of capital and liquidity. A snapshot of where the Fund's assets are invested follows:



THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Edmonton Pipe Industry Health and Welfare Fund, which comprise the statement of financial position as at December 31, 2011, and the statement of changes in net assets available for benefits for the fifteen month period from October 1, 2010 to December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Edmonton Pipe Industry Health and Welfare Fund as at December 31, 2011, and the changes in its net assets available for benefits for the fifteen month period from October 1, 2010 to December 31, 2011 in accordance with Canadian accounting standards for pension plans.

Comparative information
Without modifying our opinion, we draw attention to Note 2(a) to the financial statements which describes that the Edmonton Pipe Industry Health and Welfare Fund adopted Canadian accounting standards for pension plans on October 1, 2010 with a transition date of October 1, 2009. These standards were applied retrospectively by management to the comparative information in these financial statements including the statement of financial position as at September 30, 2010, and the statement of changes in net asset available for benefits for the year ended September 30, 2010 and related disclosures. We are not engaged to report on the restated comparatives information, and as such, it is unaudited.

KPMG LLP

CHARTERED ACCOUNTANTS

Edmonton, Canada
April 17, 2012

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

December 31, 2011, with comparative figures for September 30, 2010

	December 31, 2011	September 30, 2010
Assets		
Cash	$ 4,746,663	$ 4,870,809
Investments (note 4)	90,315,580	85,932,379
Contributions receivable - employer	1,769,081	2,663,463
Accrued investment income	7,383	5,554
Prepaid expenses and deposits	2,266	573
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	15,125	1,388
	$96,856,098	$93,474,166
Liabilities		
Accounts payable and accrued liabilities	$ 683,498	$ 1,108,333
Amounts due to other health and welfare funds (note 6)	133,863	468,142
Reserve for unpaid claims	2,117,554	1,954,889
Reserve for advance contributions	35,805	37,346
	2,970,720	3,568,710
Net assets available for benefits	$93,474,166	$ 89,905,456

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Changes in Net Assets Available for Benefits

Fifteen month period ended December 31, 2011, with comparative figures for the year ended September 30, 2010

	Fifteen month Period ended December 31, **2011**	Year ended September 30, 2010
Increase in net assets:		
Investment income (note 7)	$ 3,901,116	$ 2,415,008
Changes in net unrealized gains	-	710,620
Employer contributions	30,781,100	30,471,105
Members' and pensioners' cash contributions	920,839	632,442
Members' optional insurance contributions	54,294	56,213
Reciprocal transfers to other health and welfare funds (note 6)	822,919	952,562
	36,480,268	35,237,950
Decrease in net assets:		
Changes in net unrealized gains	1,498,190	-
Health, dental, vision and short-term disability claims paid	20,852,168	14,984,313
Long-term disability premiums	2,343,323	2,043,647
Life insurance premiums	2,110,603	1,895,770
Accidental death and dismemberment premiums	526,016	429,934
Claims administration fees	770,499	550,956
Employee assistance program	523,433	259,553
Out-of-country insurance premiums	698,036	266,508
Members' optional life insurance premiums	57,322	51,215
Increase in reserve for unpaid claims	162,665	288,176
Reciprocal transfers to other health and welfare funds (note 6)	1,822,224	4,739,214
Investment manager and custodian fees	290,450	146,743
Administrative expenses (note 8)	845,417	582,222
	32,500,346	26,238,251
Increase in net assets available for benefits	3,979,922	8,999,699
Net assets available for benefits, beginning of period	89,905,456	80,905,757
Net assets available for benefits, end of period	$ 93,885,378	$ 89,905,456

See accompanying notes to financial statements.

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 for the period until April 15, 2015. 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

Basis of preparation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for pension plans, which are also applicable to entitles such as the Health and Welfare Fund that provide benefits other than pensions, 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.

(a) Basis of presentation:

Effective October 1, 2010, the Health and Welfare Fund adopted Section 4600, Pension Plans ("Section 4600"), of The Canadian Institute of Chartered Accountants' ("CICA") Handbook which replaces Section 4100, Pension Plans. The Health and Welfare Fund is required to follow the requirements set out in Section 4600 for the measurement, presentation and disclosure of its investments and obligations.

In selecting or changing accounting policies that do not relate to its investment portfolio, the Health and Welfare Fund has a choice to either comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CICA Handbook, or accounting standards for private enterprises in Part II of the CICA Handbook, to the extent that those standards do not conflict with the requirements under Section 4600. The Health and Welfare Fund has chosen to comply on a consistent basis with IFRS in Part I of the CICA Handbook. The new recommendations have been implemented retrospectively and have no material impact on the financial statements.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are recorded at fair value through changes in net assets available for benefits.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Health and Welfare Fund's functional currency.

Note 2 (Cont'd)

Basis of preparation (Cont'd)

(d) Use of estimates and judgements:

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

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

Note 3

Significant accounting policies:

(a) Foreign currency:

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

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

(b) Investment transactions, income recognition and transaction costs:

(i) Investment transactions:

Investment transactions are accounted for on a trade date basis.

(i) Income recognition:

Income from investments is recorded on an accrual basis and includes interest and pooled investment income.

(a) Interest:

Interest income, including interest income from non-derivative financial assets at fair value through profit or loss, is recognized in the statement of changes in net assets available for benefits, using the effective interest method.

(b) Pooled investment income:

Income from pooled investments is comprised of interest, dividends and realized gains from Canadian and foreign sources and is recognized in the statement of changes in net assets available for benefits when earned.

(ii) Transaction costs:

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits when incurred.

Note 3 (Cont'd)

Significant accounting policies (Cont'd):

(c) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Health and Welfare Fund becomes a party to the contractual provisions of the instrument.

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

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

The Health and Welfare Fund classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the statement of changes in net assets available for benefits if the Health and Welfare Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Health and Welfare Fund's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets at fair value through the statement of changes in net assets available for benefits are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

(ii) Financial liabilities:

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

The Health and Welfare Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Health and Welfare Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Health and Welfare Fund considers its accounts payable and accrued liabilities and amounts due to other health and welfare funds to be financial liabilities.

Note 3 (Cont'd)

Significant accounting policies (Cont'd)

(d) Fair value measurement:

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

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

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

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

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

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

Fair values of investments are determined as follows:

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

Note 3 (Cont'd)

Significant accounting policies (Cont'd)

d) Fair value measurement (cont'd):

Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Guaranteed investment certificates, term deposits maturing after a year, mortgages and real estate debentures are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality and maturity.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represents the Health and Welfare Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

e) Common expenses:

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

f) Income taxes:

The Health and Welfare Fund is a trust recognized administratively by the Canada Revenue Agency. Investment income earned by the Health and Welfare Fund, net of eligible deductions, is subject to income tax.

4. Investments

	2011	2010
PH&N Short Term Bond & Mortgage Fund	$ 61,990,167	$ 56,765,068
Letko Brosseau & Associates – Balanced Fund	28,325,413	28,417,311
Canadian Western Bank 0.87% GIC	–	750,000
	$ 90,315,580	$ 85,932,379

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

Reciprocal agreements with 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.

7. Investment Income

	Fifteen month period ended December 31, 2011	Year ended September 30, 2010
Interest income	$ 69,242	$ 90,599
PH&N Short Term Bond & Mortgage Fund – interest and realized capital gains	2,750,414	1,582,964
Letko Brosseau & Associates Balanced Fund – interest Dividends and realized capital gains	1,081,460	741,445
	$ 3,901,116	$ 2,415,008

8. Administrative expenses

	Fifteen month period ended December 31, 2011	Year ended September 30, 2010
Direct expenses:		
Administration fees	$ 450,277	$ 325,238
Bank charges	61,311	27,643
Actuary fees	44,768	-
Independent trustees	44,093	34,487
Audit	36,383	24,665
Office expenses	15,472	10,463
Computer maintenance	12,779	5,440
Other expenses	2,517	501
Legal	266	2,131
	667,866	430,568
Common expenses shared equally with the Health and Welfare Fund (Note 3(e))		
Rent	159,915	134,218
Office expenses	73,322	76,657
Annual report to members	64,620	55,682
Travel, conferences and meeting expenses	29,081	16,167
Postage	23,482	27,215
Other shared expenses (recoveries)	4,682	(6,631)
	355,102	303,308
Less Pension Fund's share	(177,551)	(151,654)
	177,551	151,654
	$ 845,417	$ 582,222

9. Capital risk management:

The main objective of the Health and Welfare Fund is to sustain a certain level of net assets in order to meet the health and welfare obligations of the Health and Welfare Plan, which are not presented or discussed in these financial statements. The Health and Welfare Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Health and Welfare Fund Trustees. The Health and Welfare Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds in accordance with the approved SIPP. Increases in net assets are a direct result of investment income generated by investments held by the Health and Welfare Fund and contributions into the Health and Welfare Fund by the employers. The main use of net assets is for benefit payments to eligible Health and Welfare Plan members.

10. Financial instruments:

(a) Fair values:

The fair values of investments are as described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, accrued investment income, due from The Edmonton Pipe Industry Pension Trust Fund, accounts payable and accrued liabilities and amounts due to other health and welfare funds approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets available for benefits are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

The following table illustrates the classification of the Pension Fund's financial instruments using the fair value hierarchy as at December 31, 2011:

December 31, 2011	Level 1	Level 2	Level 3	Total
PH&N Short Term Bond & Mortgage Fund	$ -	$ 61,990,167	$ -	$ 61,990,167
Letko Brosseau & Associates Balanced Fund	-	28,325,413	-	28,325,413
	$ -	$ 90,315,580	$ -	$ 90,315,580

September 30, 2010	Level 1	Level 2	Level 3	Total
PH&N Short Term Bond & Mortgage Fund	$ -	$ 56,765,068	$ -	$ 56,765,068
Letko Brosseau & Associates Balanced Fund	-	28,417,311	-	28,417,311
Canadian Western Bank GIC	-	750,000	-	750,000
	$ -	$ 85,932,379	$ -	$ 85,932,379

b) Associated risks:

(i) Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all 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 statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Health and Welfare Fund through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

69% (2010 - 66%) of the Health and Welfare Fund's investments are in liquid securities traded in public markets. Although market events could lead to some investments becoming illiquid, the diversity of the Health and Welfare Fund portfolios should ensure that liquidity is available for benefit payments. The Health and Welfare Fund also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2011, the Health and Welfare Fund had cash in the amount of $4,746,663 (2010 - $4,870,809).

(iii) Foreign currency risk:

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

(iv) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Health and Welfare Fund. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

The Health and Welfare Fund's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in either 2011 or 2010.

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Health and Welfare Fund's investments will fluctuate due to changes in market interest rates. To properly manage the Health and Welfare Fund's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.