For the

Members of

The Edmonton

Pipe Industry

Pension Trust Fund

and

Health and Welfare Fund

2014

ANNUAL REPORT

DIRECTORY

The Edmonton Pipe Industry Pension Trust Fund

and

The Edmonton Pipe Industry Health and Welfare Fund

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Website: www.epibenefitplans.com Pension Plan Registration Number 0546028

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Union Trustees
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Barry Pruden
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Bryan & Company, Edmonton, Alberta

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Basso Capital Management – Connecticut, USA
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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

Great-West Life, Winnipeg, Manitoba

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

TABLE OF CONTENTS

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, 2014. The Annual Report provides an accounting to the Members of the highlights of the Funds' activities for the past 12 months.

The 2014 Annual Report covers the activities of both Funds for the 12 months from January 1, 2014 to December 31, 2014.

Board of Trustees

Our Trust Agreements are the 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.

Lee Adkins retired from the Board of Trustees after 9 years of valuable service and commitment to the Funds. Stu MacLeod was welcomed as a new Trustee in early 2015. The Independent Trustees were reappointed for a further two year term through June 30, 2017.

Pension Trust Fund

As at December 31, 2014, the Pension Fund had net assets available for benefits of \$1.462 billion, an accumulated surplus of \$326.3 million and a going concern funded ratio of 129%. At the end of Fiscal 2013 the Fund had net assets available for benefits of \$1.292 billion with an accumulated surplus of \$175.3 million and a funded ratio of 116%.

For the year ended December 31, 2014 the Fund earned a rate of return of 10.9% (19.1% for Fiscal 2013) net of all fees.

For more information about the Pension Plan's funding status at the end of Fiscal 2014, 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, 2014 was 5.76%.

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.

The Plan's Members had contributions remitted on 11.44 million hours for the year ended December 31, 2014. Our expectation for hours worked was 12 million hours. The Pension Plan's target expectation for hours worked in the 2015 fiscal year is 10 million hours. Our ongoing monitoring of the economic environment, particularly the price of oil and gas, is critical to the funding formula for the Pension Plan.

Report of the Board of Trustees (Cont'd)

Pension Trust Fund (Cont'd)

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 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.

The Trustees regularly review, and amend when deemed necessary, the Funding and Benefits Policy and the Statement of Investment Policies and Procedures (SIPP). The SIPP was amended in 2014 with the most significant change being a revision to the Asset Mix of the Fund.

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.

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.

A copy of the Funding and Benefits Policy can be viewed on the Plan's website. In addition, Plan Members are entitled to examine or obtain various Plan documents as itemized in Section 46 of the Alberta Pension Regulations.

Health and Welfare Fund

The Health and Welfare Fund continues to be in very good financial condition. As at December 31, 2014, net assets available for benefits were $121.4 million compared to $114.4 million at December 31, 2013. During the year ended December 31, 2014, the Plan paid $20.1 million for Members' health, dental, vision care, short term disability benefits and out of country medical claims in addition to $5.0 million of premiums for life insurance, optional life insurance, accidental death and long term disability benefits.

Information on recent benefit plan improvements can be found on Page 50 of this Report.

Report of the Board of Trustees (Cont'd)

The Trustees regularly review 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.

Starting in September 2014 the Plan began offering electronic claims submission services. Members were provided an "All-In One Benefit Card" for use at most pharmacies and dental offices allowing service providers to submit claims electronically for reimbursement. The Trustees encourage all Members to use this "All-In-One Benefit Card" when visiting their pharmacist or dentist in order to realize enhanced electronic claims payment in addition to significant cost savings to your Plan.

All of the services delivered by the Benefit Office, including preparation of retirement documents, are provided by our knowledgeable staff who are trained and skilled in the delivery of your benefits. The Trustees recognize and thank our staff for their dedication, care and professionalism in serving our Members.

General Comments

The Board of Trustees met 6 times over the 12 months ended December 31, 2014. In addition, the Board of Trustees has an Audit Committee which met twice in 2014.

Your Board of Trustees believes in the value of good governance practices and procedures. We have dedicated, well educated Trustees that are passionate about ensuring that Members continue to receive valuable benefits that are sustainable over the long term.

Submitted on behalf of the Trustees,

Gordon Clanachan, FCA, ICD.D
Chairman, Board of Trustees
June, 2015

PENSION FUND HIGHLIGHTS AND COMMENTARY

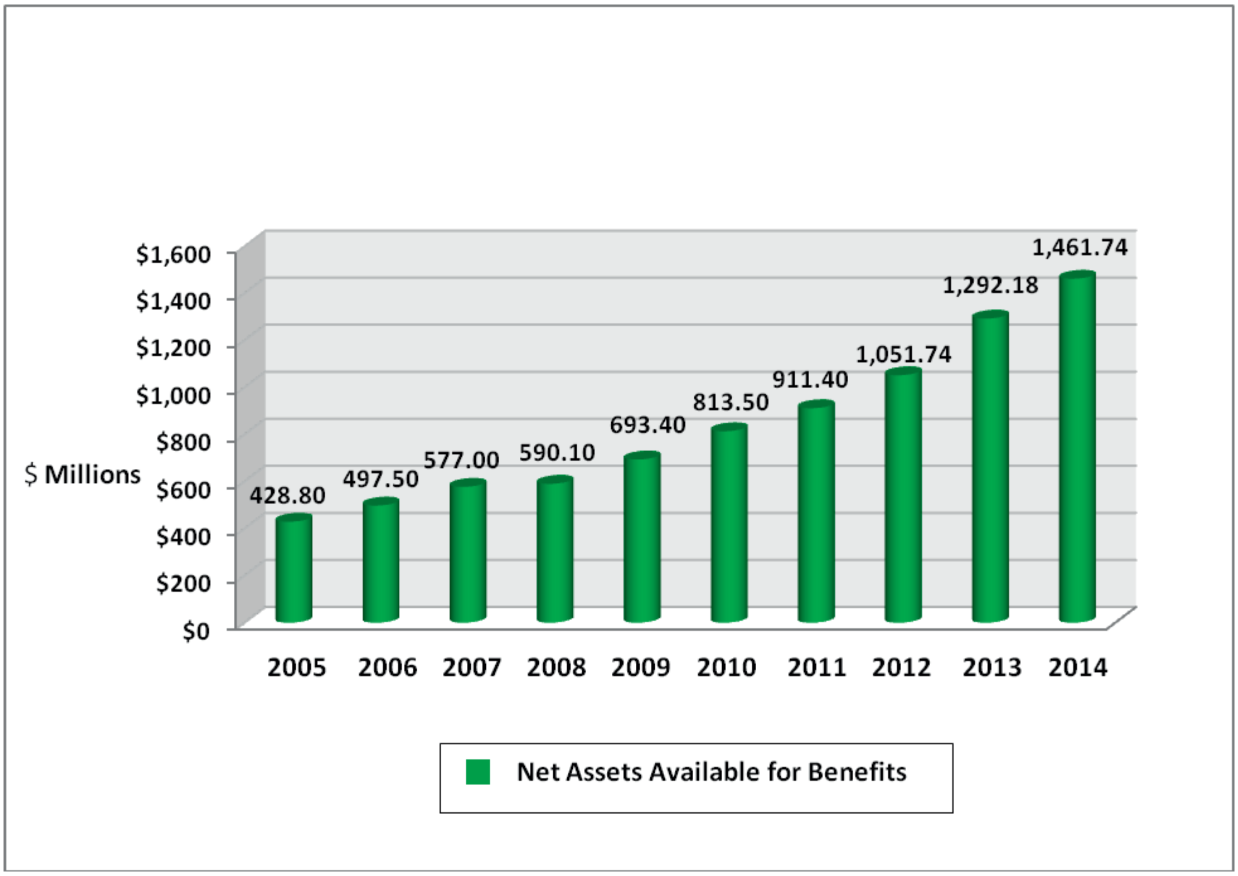
Pension Fund Assets

At December 31, 2014, the Pension Fund had $1.462 billion in net assets available for benefits. This is an increase of $170 million compared to the net assets available for benefits at December 31, 2013. Net employer contributions in 2014 were $90.4 million, a decrease of $6.7 million compared to 2013.

The Pension Fund received net contributions in respect of 11.44 million hours worked during 2014. During 2013 the Fund received contributions in respect of 12.3 million hours.

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

GROWTH IN PENSION FUND NET ASSETS 2005 - 2014



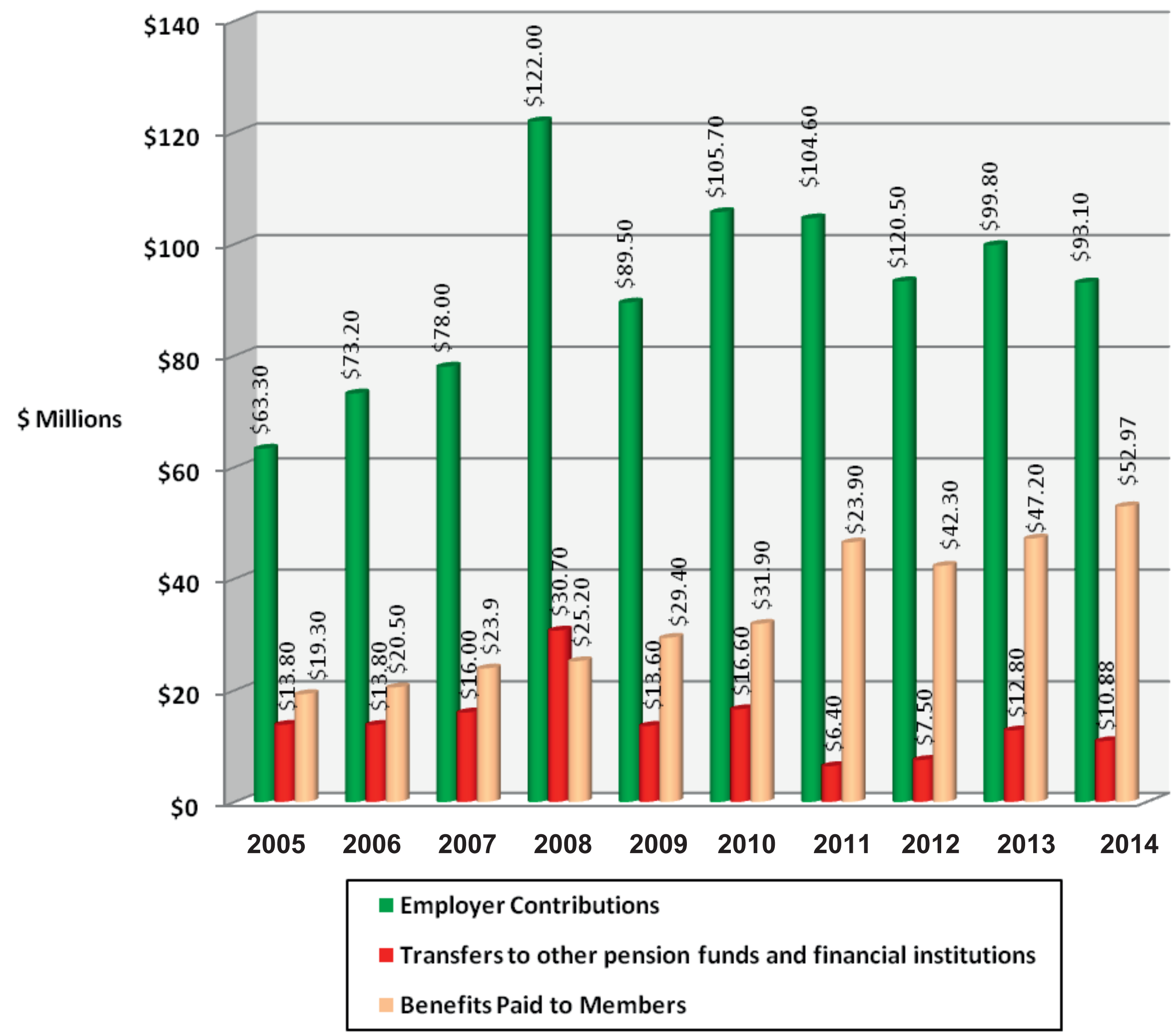
THE EDMONTON PIPE INDUSTRY PENSION TRUST & HEALTH AND WELFARE FUNDS | 4

Pension Fund Contributions

During 2014, contributing employers (including Reciprocal Transfers in) paid $93.10 million into the Pension Fund on behalf of Members, compared to $99.80 million in 2013.

From the $93.1 million received, the Pension Fund transferred $10.88 million to other pension funds on behalf of individuals who were subject to reciprocal agreements.

For the year ended December 31, 2014, the Pension Fund paid $52.97 million ($47.2 million in 2013) in pension, death and termination benefit payments.

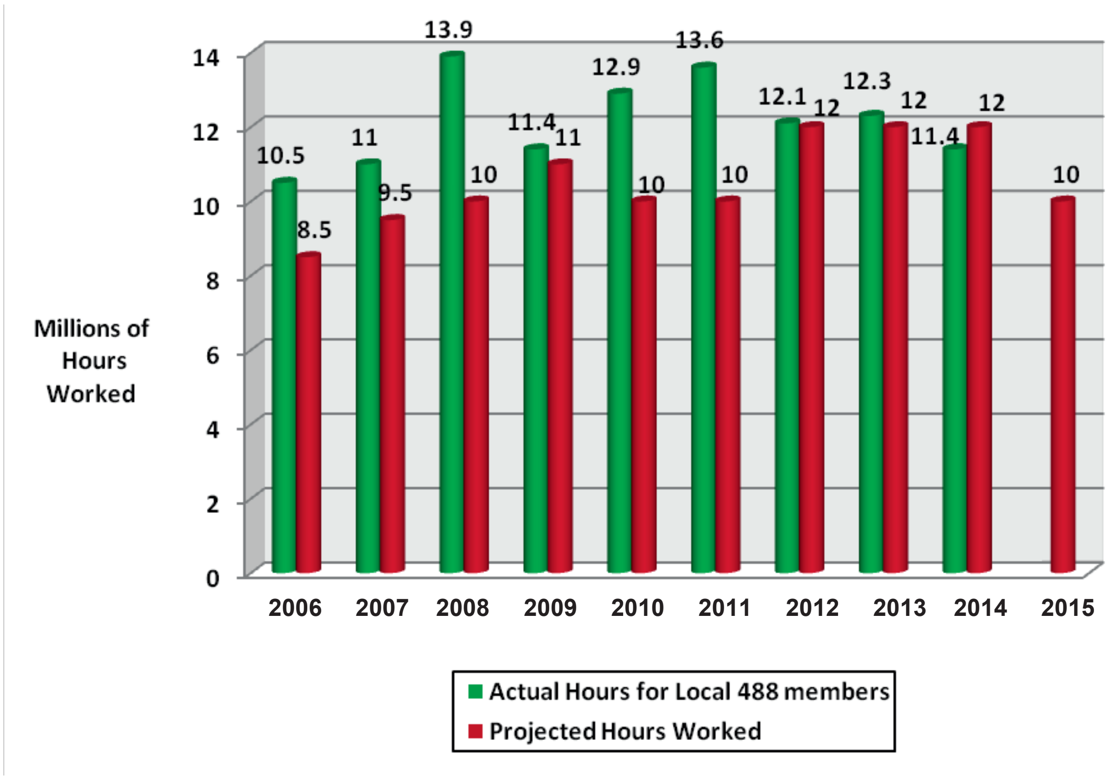


Employer Contributions and Hours Reported to the Pension Fund

During the year ended December 31, 2014, the Pension Fund received employer contributions based on 13.74 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 1.61 million hours to other pension funds on behalf of union members who were not members of Local 488. Retired Members earned 685,167 hours. Therefore the net contributions to the Pension Fund were based on 11.44 million hours worked by Local 488 members.

For Fiscal 2015, the Pension Plan will use an assumption that 10 million hours will be worked by Local 488 members. The Trustees gather information about the work outlook for Local 488 members from sources including Local 488. The Trustees' assumption for hours worked, used for actuarial valuation purposes, is also discussed with the Pension Plan's actuary.

PROJECTED AND ACTUAL HOURS WORKED BY MEMBERS 2006 – 2015



Pension Fund Investment Rate of Return

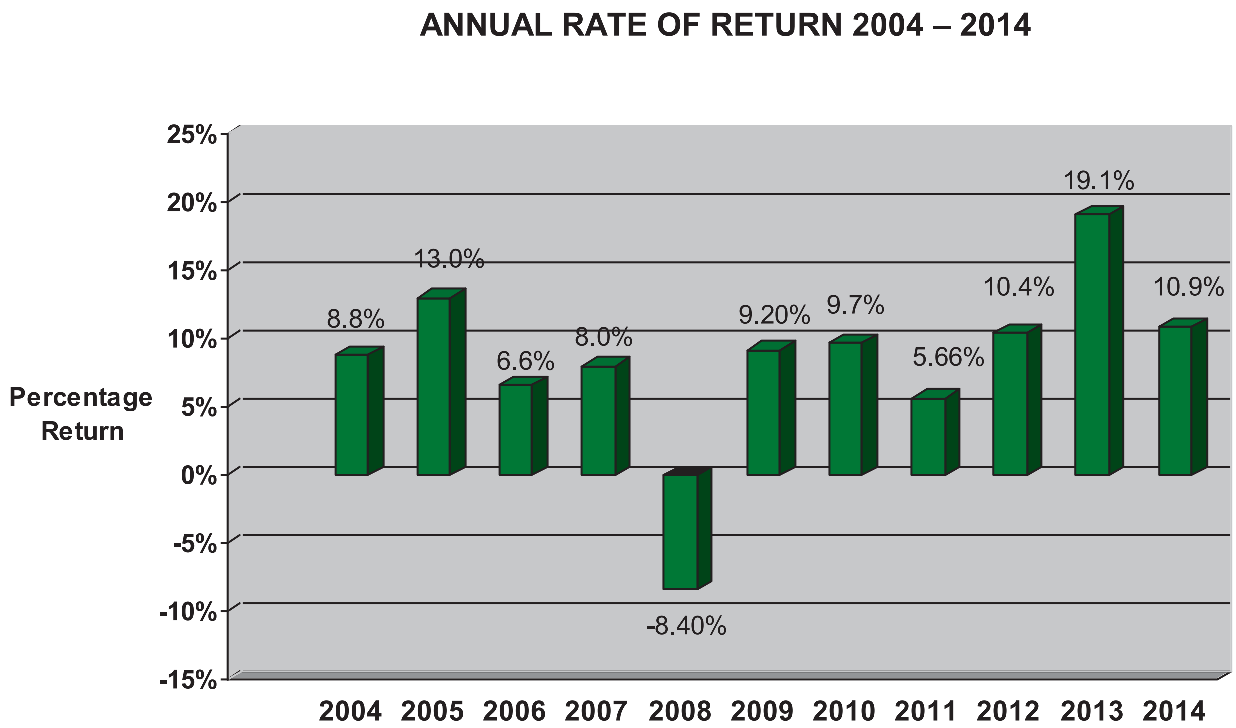
The major market returns for the year ended December 31, 2014 (and compared to 2013 returns) were;

Market	Return for the Year Ended December 31, 2014	Return for the Year Ended December 31, 2013
Canadian Equity	10.6%	13.0%
Canadian Bonds	8.8%	-1.2%
Non Canadian Equity	13.0%	31.3%
Treasury Bills	0.9%	1.0%

For the year ended December 31, 2014, the Pension Fund earned an overall rate of return of 10.9%. In Fiscal 2013, the Fund had a rate of return of 19.1%. The Pension Plan's actuarial target investment return for the 2014 actuarial valuation was 5.76%. The chart below shows Members the annual rates of return of the Pension Fund from 2004 to 2014 inclusive.

The Fund's target investment return assumption of 5.76% was set after the Trustees took into consideration the continued volatility in the global investment markets. This assumption will be reviewed again when the Fiscal 2015 valuation is prepared.

Pension Fund Investment Rate of Return (Cont'd)



Pension Fund Investments

For the year ended December 30, 2014 the Fund's investments returned 10.9% after fees. The average pension fund measured by our independent performance measurement service returned 10.7% before fees for the year ended December 31, 2014.

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 2014 the Trustees completed a review of the asset mix of the Fund. The table below outlines how the Pension Fund's assets will be allocated among different classes of investments.

Asset Class	Guidelines set by Statement of Investment Policies and Procedures			Actual Allocation as of December 31, 2014 (based on market values)
	Minimum	Normal	Maximum	
Cash and Cash Equivalents	0%	0%	4%	1.3%
Private Equities	5%	12%	15%	6.7%
Publicly Traded Equities (Canadian)	10%	15%	35%	25.0%
Publicly Traded Equities (Foreign)	10%	19%	30%	23.3%
Canadian Fixed Income (Bonds)	15%	24.5%	40%	26.5%
Real Estate	5%	7.5%	12.5%	7.1%
Infrastructure	5%	10%	15%	4.3%
Alternative Fixed Income	5%	12%	15%	5.8%

The Pension Fund's investment strategy is designed to provide income to pay current pensions and asset growth to support future payments while managing overall investment risk. Providing income is particularly challenging today given the low interest rates. Bonds, the traditional source of steady income generate considerably less income today than they did prior to the Financial Crisis of 2008. This has necessitated the rethinking of the investment strategy which now relies less on publicly traded financial instruments and more on alternative investment asset classes.

Pension Fund Investments (Cont'd)

The alternative asset classes include Private Equity, Real Estate, Infrastructure and Alterative Fixed Income, with the latter three being a significant source of income. The trade-off for investing in the alternative asset classes is liquidity since many of the investments cannot be readily sold on the open market until they mature. Having a portion of the pension portfolio in illiquid assets is not a concern since a pension plan has a very long time horizon and the majority of assets are still invested in public market instruments.

Investments are made through legal entities called Limited Partnerships (LP) managed by a General Partner who is a specialist in the particular area in which investments will be made. The Pension Fund participates as a Limited Partner which has the benefit of limiting exposure to the capital invested.

Real Estate and Infrastructure are real assets with a long life horizon. Real Estate holdings include office towers, shopping complexes and industrial buildings located in prime urban areas, while infrastructure are assets essential to the operations of the economy such as ports, roads, bridges, pipelines, energy generation complexes and waste disposal facilities. In all cases, the assets generate regular income from rents and user tariffs which is paid to the investors and will rise with inflation. The value of the assets themselves will also typically rise with inflation.

Private Equity is direct ownership of a company rather than though publicly traded shares. The expectation is that these investments will earn a higher return than publicly traded equities to compensate for the fact that they can't be easily sold in the short term. Alternative Fixed Income includes private Mortgages and Debt instruments. These will typically be backed by a specific asset and are senior secured so that the Plan gets its money back first should there be problems. The attraction of these types of investments is that they provide two to three times the level of income that could be earned from publicly traded corporate and government bonds. They are also less sensitive to interest rate changes and will perform better when interest rates begin to rise.

By investing in a variety of different asset classes, the Pension Fund is able to diversify its assets across a broader range of return expectations and investment risk. This is expected to produce a more stable risk and return profile which more closely matches the investment needs of a Pension Plan. It also allows the Plan to improve the income characteristics of the investment which can then be relied upon to fund pension payments.

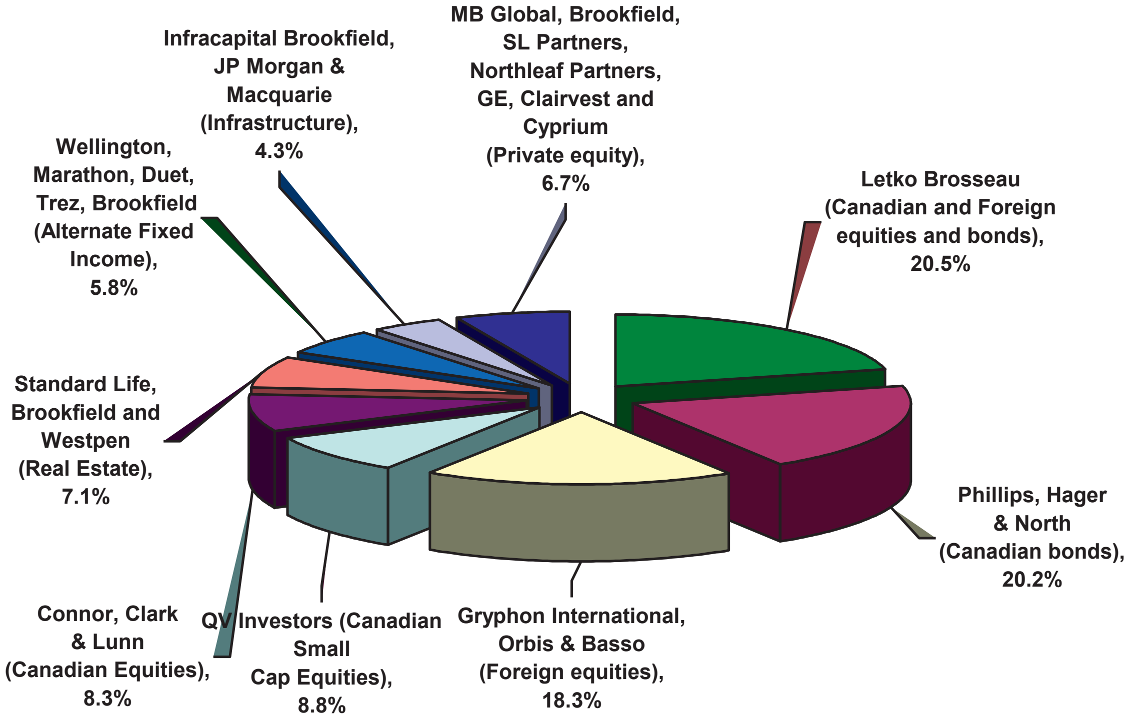
The Trustees have policies in place to monitor the overall asset mix of the Fund and to guide the investment of contributions from employers and investment income.

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.

Pension Fund Investments (Cont'd)

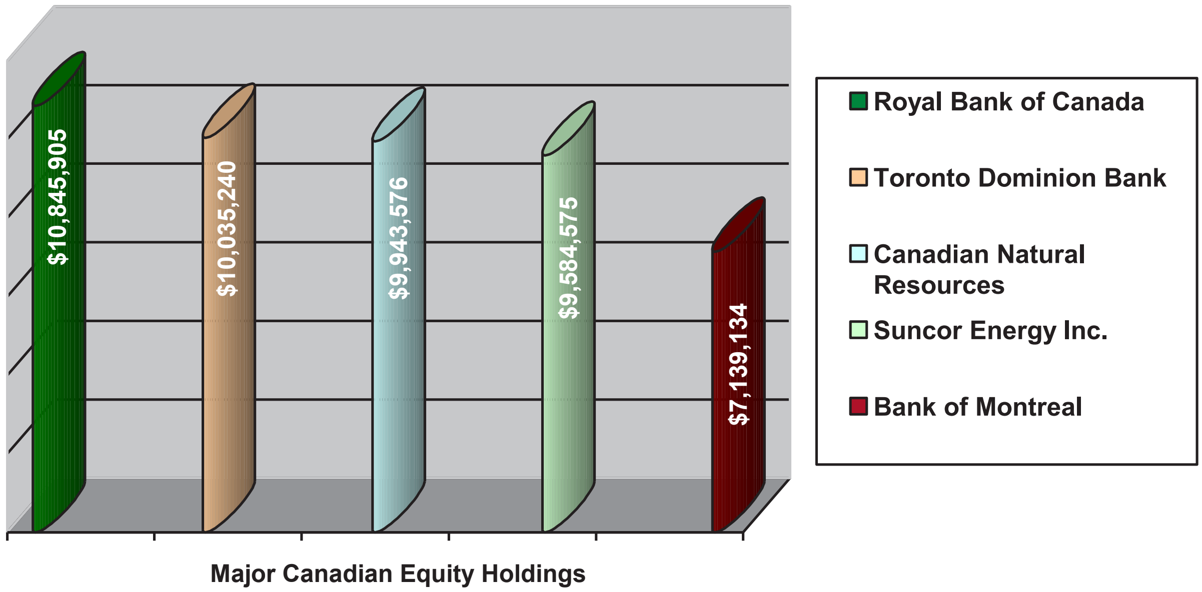
The Trustees compare this information to their standards and review whether the standards have been achieved. If standards are not achieved, the Trustees consider whether the performance deficiency is temporary. The Trustees are prepared to take action in the event they believe an investment manager's performance will not meet the standard.

The Pension Funds assets are divided amongst 22 independent investment managers. In addition, the Fund's Custodian, CIBC Mellon, 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. The allocation of Fund assets to the independent investment managers, as at December 31, 2014, is illustrated as follows:



Equities

At the end of 2014, the Pension Fund had $355.77 million, or 25% of its assets, invested in Canadian equities. The Fund's largest Canadian equity holdings at December 31, 2014 were:



The one year return of the Canadian equity market was 10.6% in 2014. This was a decrease from a return of 13.0% in 2013.

The Pension Fund had $332.09 million, or 23.3% of its assets, invested in non-Canadian publicly traded equities. The United States equity market had a Canadian dollar return of 24.0% in 2014. Non-North American markets had a Canadian dollar return of 15.1% in 2014.

Currency was a positive factor helping with investment gains in 2014. For the year ended December 31, 2014 the Canadian dollar depreciated by 8.3% compared to the United States dollar. In fact, the Canadian dollar depreciated against most major currencies in 2014 with the exception of the Euro and the Yen by which the Canadian dollar appreciated by 4.4% and 4.1% respectively. Currency fluctuation is important because the Fund'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 Fund'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.

Equities (Cont'd)

In 2014 the European, Australian and Far East (EAFE) equity market returned 4.21% in Canadian dollars. In 2013 this market produced a return of 31.8% and, the year before, a return of 15.3%. 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 22 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 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 keeps the Trustees informed about emerging investment issues.

Fixed Income

At December 31, 2014, the Pension Fund's Canadian fixed income investments totaled $377.8 million which is approximately 26.5% of total assets. At December 31, 2013, 22.1% of the Fund was invested in Canadian fixed income. The Fund's fixed income investments include corporate bonds as well as bonds issued by Canadian federal and provincial governments.

For the year ended December 31, 2014 the broad based Canadian bond market return, measured by the FTSE TMX Universe, was 8.8%. The Fund has set the FTSE TMX Long Bond Index as the benchmark return for our fixed income investments. This benchmark is more closely aligned with the duration of the Plan's liabilities. In 2014 the FTSE TMX Long Bond index return was 17.5%.

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 41.5% 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 $4.77 per hour.

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.

c) Approval from Alberta Treasury Board & Finance must be received while the Pension Plan is under the solvency funding moratorium.

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

ACTUARIAL VALUATION

Membership Data	**2014**	2013	2012	2011	2010	2009	2008	2007
Number of active members	**8108**	8461	8491	8450	9246	9027	8869	7122
Average age of active members (in years)	**40.6**	40.6	40.2	40.2	39.6	39.2	38.9	40.1
Average hours worked	**1715**	1740	1783	1995	1655	1481	1755	1696
Number of pensioners (including disabled)	**2892**	2748	2590	2451	2223	2109	1977	1831
Average age of pensioners (in years)	**69.8**	69.5	69.4	69.3	69.1	68.9	68.7	68.7

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.

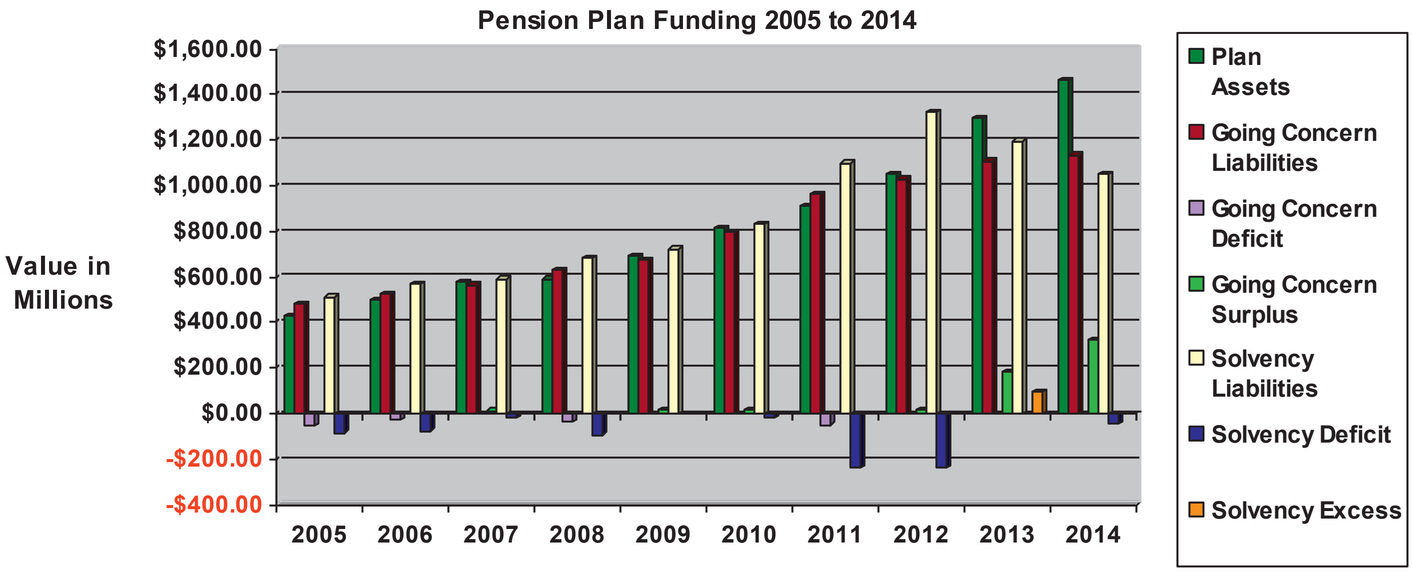
  For the 2014 actuarial valuation, the target rate of return on Fund investments was 5.76%. This is the average rate that the Pension Fund's investments are expected to earn in the long term. The Trustees anticipate that, over short periods of time, the Fund's actual investment returns will be higher or lower than our 5.76% 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 12 months ended December 31, 2014, Local 488 members worked a total of 11.44 million hours, compared to the forecast of 12 million hours. For Fiscal 2015 the Plan's assumption is that Local 488 members will work 10 million hours. The assumption regarding hours worked is closely monitored at each Trustees' meeting.

For the fiscal year ended December 31, 2014, 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 cost requirements.

The actuarial valuation will be filed with the Pension Plan regulators.

The Pension Plan's funding status from 2005 to 2014 is shown in the illustration:



ACTUARIAL VALUATION (Cont'd)

The Plan's solvency funding ratio declined to 97% at December 31, 2014 (107% at December 31, 2013). The Plan had a solvency deficiency of $45.38 million at the end of Fiscal 2014. At December 31, 2013, the solvency excess was $85.30 million.

Differences between the Plan's funding position of 129% when measured on the going concern basis and a funded ratio of 97% when measured using solvency rules arise 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 2.82% per annum, not 5.76% 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 Pension Plan applied for, and received, a funding moratorium for solvency. This solvency funding moratorium was required due to the fact that a deficiency arose in 2014 due to the decline in annuity purchase rates as described previously. The solvency funding moratorium is effective January 1, 2015 and is for a maximum period of 3 years. Should the solvency funding position of the Pension Plan improve in the following Actuarial Valuations such that the funded position equals or exceeds 100% the Trustees will apply to Alberta Treasury Board & Finance to exit the solvency funding moratorium.

Any benefit improvements proposed by the Trustees must be approved, in advance, by Alberta Treasury Board & Finance while the Pension Plan remains under the solvency funding moratorium.

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 year ended December 31, 2014 the amount of this benefit increased by $2.88 million. The benefit increase in 2013 was $4.09 million. At December 31, 2014 the present value of the defined contribution benefit for retired Members is $22.08 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.

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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, 2014, the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, 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.

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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, 2014, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

May 14, 2015
Edmonton, Canada

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 32,650,821	$ 14,279,922
Investments (note 4)	1,425,467,376	1,275,329,427
Contributions receivable	5,552,527	5,346,602
Accounts receivable	83,027	69,379
Other assets	16,771	15,798
	1,463,770,522	1,295,041,128
LIABILITIES		
Accounts payable and accrued liabilities	1,177,189	1,241,120
Amounts due to other pension funds (note 5)	828,009	1,600,047
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 6)	23,946	21,051
	2,029,144	2,862,218
Net assets available for benefits	1,461,741,378	1,292,178,910
Pension obligations (note 7)	1,135,462,000	1,116,830,000
Accumulated surplus	$ 326,279,378	$ 175,348,910

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Increase in net assets:		
Investment and other income (note 8)	$ 30,307,432	$ 33,838,321
Realized foreign currency gains	48,010,004	8,534,046
Net realized gains on the sale of investments	20,261,495	28,888,477
Changes in net unrealized gains on investments	51,675,896	138,491,986
Employer contributions (note 9)	90,434,993	97,145,878
Pension credits and reciprocal transfers in	2,665,314	2,629,088
	243,355,134	309,527,796
Decrease in net assets:		
Benefit payments:		
Retirement	39,363,509	36,310,133
Transfers and lump sum payments	13,242,499	10,381,161
Death benefits	366,981	479,188
Pension credits and reciprocal transfers out	10,882,267	12,844,754
Investment manager and custodian fees	8,677,073	7,875,101
Administrative expenses (note 10)	1,260,337	1,200,278
	73,792,666	69,090,615
Increase in net assets available for benefits	169,562,468	240,437,181
Net assets available for benefits, beginning of year	1,292,178,910	1,051,741,729
Net assets available for benefits, end of year	$ 1,461,741,378	$ 1,292,178,910

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Pension Obligations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Pension obligations, beginning of year	$ 1,116,830,000	$ 1,034,350,000
Benefits accumulated	56,687,000	60,353,000
Pension credits and reciprocal transfers in	2,665,000	2,629,000
Reciprocal transfers out	(20,000)	(15,000)
Benefits paid	(52,973,000)	(47,170,000)
Interest on pension obligations	61,601,000	57,182,000
Impact of assumption changes	(45,046,000)	9,891,000
Impact of plan amendment	1,501,000	6,284,000
Net experience gains	(5,783,000)	(6,674,000)
Pension obligations, end of year	$ 1,135,462,000	$ 1,116,830,000

See accompanying notes to financial statements.

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 January 1, 2015. 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, 2019.

The following is a brief summary of the main provisions of the Plan in effect at December 31, 2014. 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) Pension benefit:

Effective October 1, 2012, for each full 100 covered hours, a member earns an additional monthly pension benefit of $6.40 for service on or after October 1, 2012.

(c) Contributions:

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

1. Description of the Plan (continued):

(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 their 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, they 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. Their earned pension is actuarially reduced from age 65; or

2. For a qualified member retiring after age 60, their earned pension is reduced by 3 percent for each year that their actual retirement age precedes the normal retirement age.

1. Description of the Plan (continued):

(e) Retirement benefits (continued):

(ii) Early retirement pension (continued):

A qualified member retiring after attaining age 58, but prior to their normal retirement age, is entitled to a special early retirement pension if the sum of their age and years of credited service equal at least 80 points for ages 58 and 59, and 75 points after age 60, provided they have at least 15 years of credited service. The special early retirement pension is an unreduced pension commencing on their 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, they will be entitled to their accrued benefit without any actuarial adjustment or increase.

(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, their surviving spouse shall receive an immediate lifetime pension. The amount of monthly pension payable to them is the lesser of the amount of the monthly pension earned by the member prior to their death or 66-2/3% of their earned pension plus the amount they would have earned had they 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 their 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 their 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. Benefits earned on or after September 1, 2014 are immediately vested.

If a member dies without a spouse the member’s beneficiary or estate shall receive the commuted value of any vested pension earned.

1. Description of the Plan (continued):

(f) Survivor benefits (continued):

(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 their death, all payments would cease upon the death of the member. Effective with retirements on or after March 1, 2014 the normal form of pension for a member without a spouse at retirement is Life, Guaranteed 10 years.

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

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

(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 their credited service after October 1, 1986. A member terminating their membership in the Plan after two years of vesting service is entitled to a deferred pension from the Plan in respect of their 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. Effective September 1, 2014, a member terminating membership in the Plan is entitled to a deferred pension from the Plan.

1. Description of the Plan (continued):

(g) Termination benefits (continued):

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, they 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 the 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.

2. Basis of preparation:

(a) Basis of presentation:

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.

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

These financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) 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 judgments:

The preparation of the financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, 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.

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 changes in net unrealized gains on investments.

(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.

3. Significant accounting policies (continued):

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

(ii) Income recognition (continued):

(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.

(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.

3. Significant accounting policies (continued):

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

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

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 Statement of Investment Policies and Procedures (the "SIPP"). 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 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) Non-derivative 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.

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 and due to the Health and Welfare Fund to be non-derivative financial liabilities.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

3. Significant accounting policies (continued):

(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 CPA Canada 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 changes in net assets available for benefits on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

3. Significant accounting policies (continued):

(d) Fair value measurement (continued):

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

(iv) Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Unrealized gains and losses on derivative financial instruments, net of premiums paid or received on options contracts, are included in derivative contracts investments.

(e) Common expenses:

Certain expenses are shared equally between the Pension Fund and the Health and Welfare Fund, an organization operating 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.

4. Investments:

	2014	2013
By investment manager:		
Direct investments:		
Letko, Brosseau & Associates Inc.	$ 287,512,403	$ 271,227,215
	287,512,403	271,227,215
Pooled funds:		
Phillips, Hager & North Investment Management Ltd.	291,367,642	200,684,660
QV Investors Inc.	123,410,789	124,428,500
Gryphon International Investment Corporation	118,878,854	191,925,384
Connor, Clark & Lunn Investment Management Ltd.	115,700,663	108,332,532
Orbis Institutional Global Equity	110,336,143	78,638,546
Basso Capital Management	34,022,036	-
CIBC Global Asset Management Inc.	2,814,601	2,642,346
	796,530,728	706,651,968
Alternative fixed income:		
Trez Capital Finance LP	39,304,931	36,768,747
Duet European Real Estate Debt Fund	17,371,235	29,447,903
Brookfield Asset Management Inc.	13,084,098	14,538,683
Wellington Financial LP	9,029,145	8,651,982
Trez Capital Yield Trust	3,641,536	1,215,264
Velocity Trade	86,268	42,765
Marathon Legacy Securities Investment Fund	-	138,018
	82,517,213	90,803,362
Infrastructure:		
Brookfield Asset Management Inc.	32,400,636	22,824,535
JP Morgan Infrastructure Investments Fund	21,967,064	20,936,942
Infracapital	7,004,028	10,512,487
Macquarie Infrastructure Partners Inc.*	(373,028)	-
	60,998,700	54,273,964

*The Pension Fund has committed to transfer $35,000,000 to Macquarie Infrastructure Partners Inc. after December 31, 2014.

4. Investments (continued):

		2014		2013
By investment manager (continued):				
Private equities:				
Marathon Special Opportunity Fund	$	28,361,519	$	26,590,000
Northleaf Capital Partners		12,834,932		11,773,761
Brookfield Asset Management Inc.		11,073,469		6,203,925
Standard Life Assurance Company of Canada		10,903,466		10,952,757
Clairvest Equity Partners		8,537,561		7,091,510
Cyprium Capital Partners		7,834,959		-
MB Global Partners		7,192,691		420,686
Marathon Asset Management		6,357,064		-
GE Asset Management Fund		3,549,903		1,646,771
		96,645,564		64,679,410
Real estate:				
Standard Life Assurance Company of Canada		40,333,062		38,029,994
Brookfield Asset Management Inc.		36,512,814		26,019,939
Bentall Kennedy Prime Canadian Property Fund		24,416,892		23,643,575
		101,262,768		87,693,508
	$	1,425,467,376	$	1,275,329,427

		2014	%		2013	%
By investment type:						
Cash and cash equivalents	$	18,303,975	1.3%	$	11,958,300	0.9
Canadian equities		355,773,900	25.0%		346,105,705	27.1
Non-Canadian equities		332,093,422	23.3%		338,446,508	26.5
Fixed income securities		377,871,832	26.5%		281,368,670	22.1
Alternative fixed income		82,517,214	5.8%		90,803,362	7.1
Infrastructure		60,998,700	4.3%		54,273,964	4.3
Private equities		96,645,565	6.7%		64,679,410	5.1
Real estate		101,262,768	7.1%		87,693,508	6.9
	$	1,425,467,376	100.0	$	1,275,329,427	100.0

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.

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.

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 obligations 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 December 31, 2014. The pension obligations of the Pension Plan for the year ended December 31, 2013 were also based on an actuarial valuation carried out by Mercer as of December 31, 2012. The actuarial valuations were 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 valuations and related extrapolations, with comparison to the actual results, are as follows:

	2014		2013	
	Valuation assumption	Actual	Valuation assumption	Actual
Investment return	5.76%	10.90%	5.50%	19.00%
Hours worked	12,000,000	11,443,000	12,000,000	12,302,944

7. Pension obligations (continued):

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

The mortality table assumption used for the 2014 and 2013 valuations is 120% of the 2014 Private Sector Canadian Pensioners Mortality (CPM) table fully generational using scale CPM-B.

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

	2014	2013
Net assets available for benefits	$ 1,461,741,378	$ 1,292,178,910
Actuarial liability - present value of accrued benefits for:		
Active members	558,298,000	567,361,000
Pensioners and survivors	441,636,000	426,975,000
Disabled pensioners	41,840,000	39,464,000
Deferred pensioners	71,607,000	63,787,000
Post-retirement benefits for active retired members	22,081,000	19,243,000
	1,135,462,000	1,116,830,000
Funding excess as determined on a going concern basis	$ 326,279,378	$ 175,348,910
Funded ratio	129%	116%

8. Investment and other income:

	2014	2013
By investment type:		
Direct investments:		
Interest	$ 3,743,106	$ 3,416,448
Dividends	6,085,575	5,020,473
Pooled funds	17,652,374	17,367,674
Alternative fixed income, infrastructure, real estate and private equities	2,382,840	7,636,773
Other income	443,537	396,953
	$ 30,307,432	$ 33,838,321

9. Employer contributions:

Commencing November 4, 2012, contributions are made by employers at a negotiated rate of $6.61 per hour. The *Alberta Employment Pension Plans Act* prescribes the minimum contributions that must be made to the Pension Fund. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current services cost and special payments to fund any going concern or solvency shortfalls.

The minimum required contribution rates sufficient to meet the funding needs of the Pension Fund are as follows:

	2014	2013
Current service cost	$ 4.774	$ 4.632
Special payments - unfunded liability	0.000	0.000
Special payments - solvency deficiency	0.000	0.000
Total minimum required contribution rate	4.774	4.632
Average negotiated contribution rate	6.610	6.610
Net margin	$ 1.836	$ 1.978

The negotiated employer contribution rate is sufficient to meet the current service and special payment requirements of the Pension Fund.

10. Administrative expenses:

	2014	2013
Direct expenses:		
Administration fees	$ 393,780	$ 386,432
Actuarial and consulting fees	253,491	241,196
Investment consulting fees	206,000	159,993
Independent trustees	76,319	75,125
Audit	69,378	91,590
Legal	66,604	82,431
Registration	20,000	15,000
Other expenses	9,849	10,136
	1,095,421	1,061,903
Common expenses shared with the Health and Welfare Fund (note 3(e)):		
Rent	127,932	127,932
Office expenses	71,704	60,008
Annual report to members	62,400	60,164
Travel, conferences and meeting expenses	32,202	7,094
Postage	31,144	17,907
Other shared expenses	4,450	3,645
	329,832	276,750
Less Health and Welfare Fund share	(164,916)	(138,375)
	164,916	138,375
	$ 1,260,337	$ 1,200,278

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 SIPP, which is reviewed annually by the Pension Fund Trustees. The Pension 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 Pension Fund and contributions into the Pension Fund by Party Employers. The use of net assets is for benefit payments to eligible Plan members.

12. 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, 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.

12. Financial instruments (continued):

(a) Fair values (continued):

The following table illustrates the classification of the Pension Fund's financial instruments using the fair value hierarchy:

2014	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 18,303,975	$ -	$ -	$ 18,303,975
Canadian equities	116,667,338	239,106,562	-	355,773,900
Non-Canadian equities	68,892,076	263,201,346	-	332,093,422
Fixed income securities	-	377,871,832	-	377,871,832
Alternative fixed income	-	-	82,517,214	82,517,214
Infrastructure	-	-	60,998,700	60,998,700
Private equities	-	-	96,645,565	96,645,565
Real estate	-	-	101,262,768	101,262,768
	$ 203,863,389	$ 880,179,740	$ 341,424,247	$ 1,425,467,376

2013	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 11,958,300	$ -	$ -	$ 11,958,300
Canadian equities	113,349,220	232,756,485	-	346,105,705
Non-Canadian equities	67,902,830	270,543,678	-	338,446,508
Fixed income securities	-	281,368,670	-	281,368,670
Alternative fixed income	-	-	90,803,362	90,803,362
Infrastructure	-	-	54,273,964	54,273,964
Private equities	-	-	64,679,410	64,679,410
Real estate	-	-	87,693,508	87,693,508
	$ 193,210,350	$ 784,668,833	$ 297,450,244	$ 1,275,329,427

12. Financial instruments (continued):

(a) Fair values (continued):

The following table reconciles the Pension Fund's Level 3 fair value measurements for the years ended December 31:

2014	Alternative fixed income	Private equities	Infrastructure	Real estate	Total
Balance, beginning of year	$ 90,803,362	$ 64,679,410	$ 54,273,964	$ 87,693,508	$ 297,450,244
Change in cash balance held with investment managers	(2,243,908)	624,955	446,861	-	(1,172,092)
Gain (loss) included in income	5,827,424	14,181,498	8,107,163	8,652,951	36,769,036
Purchases	9,009,561	21,449,265	7,080,123	8,019,336	45,558,285
Disposals	(21,632,411)	(3,331,043)	(8,117,950)	(3,830,297)	(36,911,701)
Net investment activity within investment manager	753,186	(958,520)	(791,461)	727,270	(269,525)
Balance, end of year	$ 82,517,214	$ 96,645,565	$ 60,998,700	$ 101,262,768	$ 341,424,247

2013	Alternative fixed income	Private equities	Infrastructure	Real estate	Total
Balance, beginning of year	$ 64,002,739	$ 27,689,476	$ 43,945,668	$ 75,595,132	$ 211,233,015
Change in cash balance held with investment managers	2,243,908	-	431,719	-	2,675,627
Gain (loss) included in income	4,224,226	6,112,242	7,245,919	5,907,173	23,489,560
Purchases	26,103,199	35,078,651	6,239,212	9,810,575	77,231,637
Disposals	(8,775,042)	(1,864,354)	(4,083,169)	(7,355,570)	(22,078,135)
Net investment activity within investment manager	3,004,332	(2,336,605)	494,615	3,736,198	4,898,540
Balance, end of year	$ 90,803,362	$ 64,679,410	$ 54,273,964	$ 87,693,508	$ 297,450,244

12. Financial instruments (continued):

(a) Fair values (continued):

There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2014.

(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 $68,786,732 (2013 - $68,455,221).

(ii) Liquidity risk:

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

Approximately 76.0% (2013 - 75.7%) of the Pension Fund's investments are in securities traded in public markets. These include Canadian and non-Canadian equity, which is approximately 48.3% (2013 - 53.7%) of the Pension Fund's total investments, cash and fixed income securities (classified as either Level 1 or 2 in the fair value hierarchy). 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 to pay accounts payable and accrued liabilities and to make additional investments. At December 31, 2014, the Pension Fund had cash in its operating bank account in the amount of $32,650,821 (2013 - $14,279,922) and in its investment accounts in the amount of $18,303,975 (2013 - $11,958,300).

12. Financial instruments (continued):

(b) Associated risks (continued):

(ii) Liquidity risk (continued):

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:

	2014	2013
Contractual re-pricing date for fixed rate instruments:		
Within 1 year	$ 14,198,777	$ 6,895,163
1 to 5 years	4,731,733	5,922,955
5 to 10 years	43,250,761	58,219,432
Over 10 years	21,793,700	18,014,163
	$ 83,974,971	$ 89,051,713

(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.

As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 25.3% (2013 - 20.4%), or $360,433,029 (2013 - $260,644,955) of the Pension Fund's financial instruments are denominated in currencies other than the Canadian dollar.

12. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Foreign currency risk (continued):

The following table summarizes the exposure to foreign currency investments if the value of the Canadian dollar increased by 10% against all currencies, and all other variables are held constant, as at December 31:

	2014 Fair Value	Sensitivity	2013 Fair Value	Sensitivity
Currency:				
U.S. dollar	$ 325,154,299	$ (32,515,430)	$ 209,731,808	$ (20,973,181)
British pound	24,375,264	(2,437,526)	39,960,390	(3,996,039)
Euro	10,903,466	(1,090,347)	10,952,757	(1,095,376)
Total	$ 360,433,029	$ (36,043,303)	$ 260,644,955	$ (26,064,596)

(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.

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 developed, 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 2014 or 2013. The maximum credit risk exposure as at December 31, 2014 is $628,286,068 (2013 - $519,555,485), comprised of contributions receivable and accounts receivable of $5,635,554 (2013 - $5,415,981) and fixed income securities, alternative fixed income, infrastructure and real estate investments of $622,650,514 (2013 - $514,139,504).

12. Financial instruments (continued):

(b) Associated risks (continued):

(iii) 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 $6,164,909 (2013 - $6,900,470).

13. Comparative information:

Certain comparative information has been reclassified to conform to the current year presentation.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

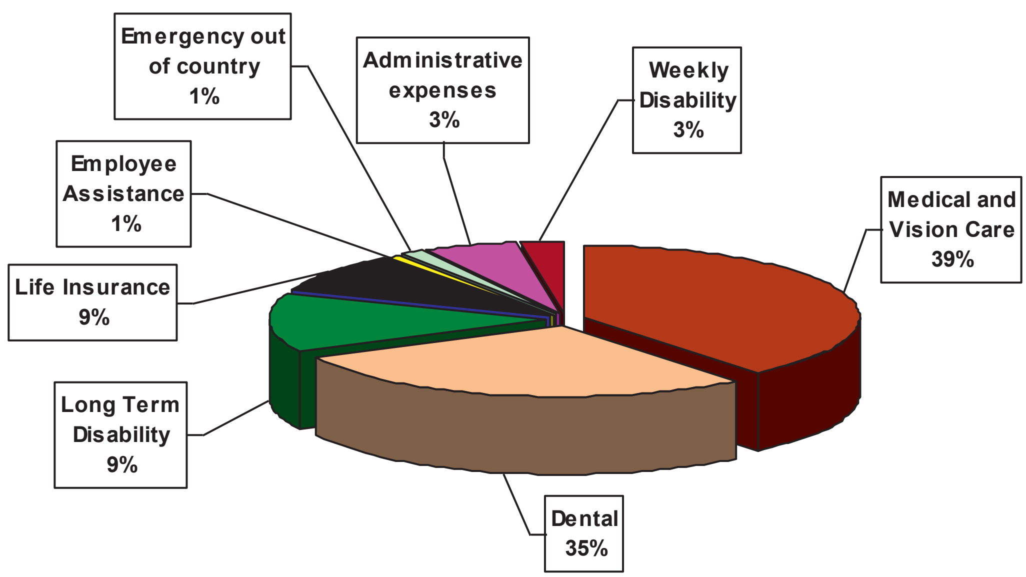
HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

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 year ended December 31, 2014, on average, the Plan provided benefits to 6,911 active Members. The Plan also provided benefits to 1,024 retired Members, 126 disabled Members and 340 widows of Members. The Plan provided 130 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 Great West Life. 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 2014 the Fund issued payments of $19.67 million to cover the claims for eligible health care, dental, short term disability and vision care claims of Members and their families. This chart illustrates all expenses in Fiscal 2014:



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 March 1, 2014 the Trustees implemented a Drug and Alcohol Rehabilitation Benefit for active Members and their dependants. This benefit offers a $5,000 per person lifetime maximum benefit.
2. Effective with dental expenses incurred on/after July 1, 2014, eligible expenses were reimbursed on the basis of the 2013 fee guide used by the Plan.

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.

As noted earlier, the Plan introduced the "All-In-One" Benefit Card to the Members on September 1, 2014. The Trustees strongly encourage the Members to take advantage of this service which allows Members, as well as service providers, to submit claims for payments electronically.

Please visit the Plan website and click on the Green Shield Canada (GSC) tab to register yourself for this valuable time saving claims payment service and remember to show your Benefit Card to your pharmacist, dentist or other service provider so that they may submit your claims on your behalf for payment.

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

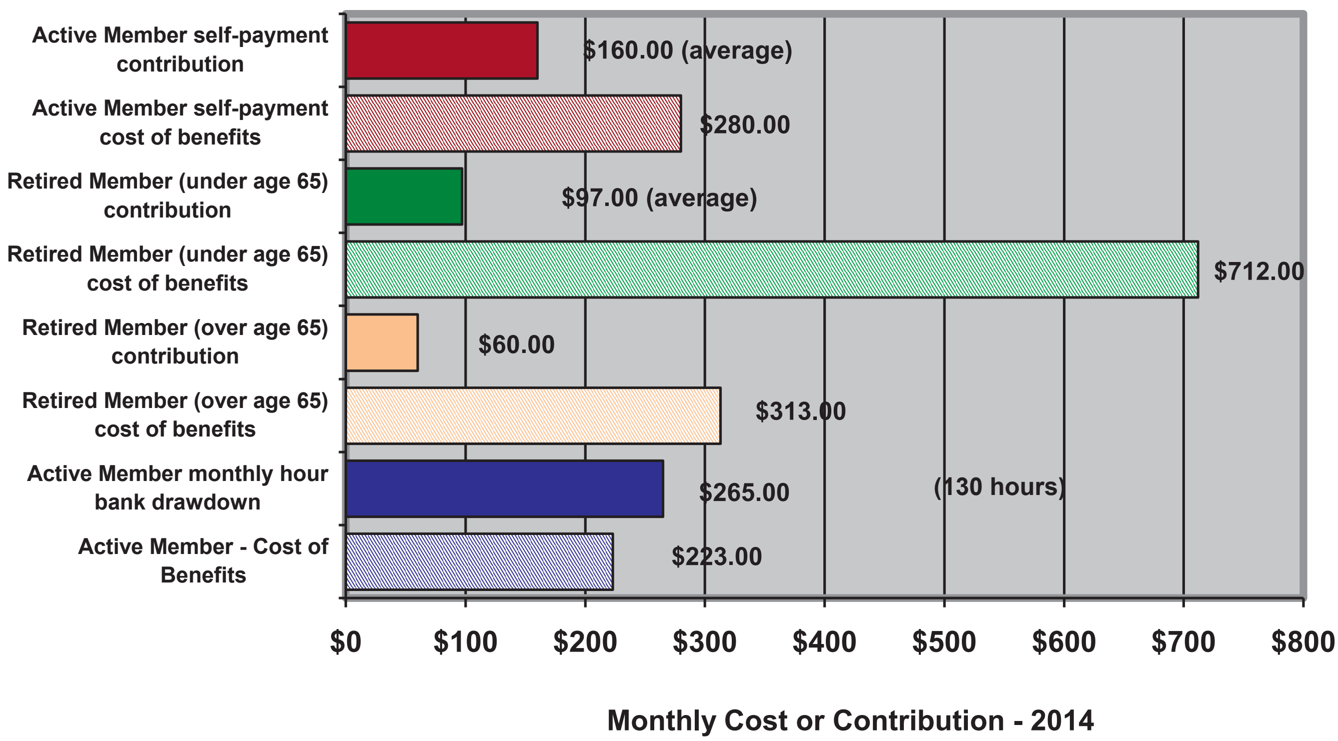
Funding of Welfare Plan Benefits

At December 31, 2014 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 60 months (increased from 36 months in prior years).

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 unallocated net assets available for benefits of $71 million.

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 year ended December 31, 2014.



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

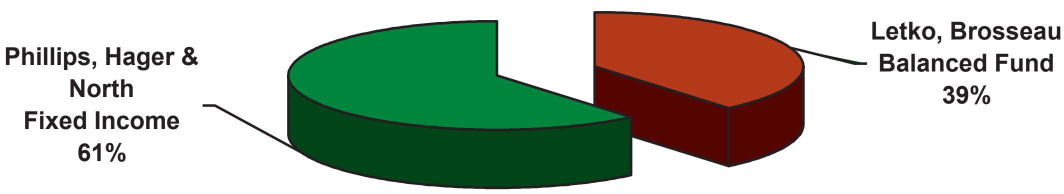
The chart below shows how the average monthly cost of benefits has changed compared to 2012 and 2013:

Classification	Fiscal 2014 Average Monthly Cost of Benefits	Fiscal 2013 Average Monthly Cost of Benefits	Fiscal 2012 Average Monthly Cost of Benefits	Change in Cost of Benefits 2013 to 2014	Change in Cost of Benefits 2012 to 2014
Active Members using self-payment	$280.00	$303.00	$247.00	-8.2%	+12.9%
Retired Members under age 65	$712.00	$708.00	$658.00	+.05%	+8.2%
Retired Members over age 65	$313.00	$306.00	$296.00	2.5%	+5.7%
Active Members	$223.00	$228.00	$208.00	-2.0%	+7.2%

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 $2.93 million in Fiscal 2014 ($2.94 million in Fiscal 2013). Investment income is earned from a balanced portfolio managed by Letko, Brosseau & Associates. At December 31, 2014, the assets managed by Letko, Brosseau had a market value of $43.7 million. The Fund also has an investment of $67.2 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:



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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, 2014, and the statement of changes in net assets available for benefits for the year then ended, 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.

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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, 2014, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

May 14, 2015
Edmonton, Canada

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
ASSETS		
Cash	$ 13,105,776	$ 10,404,310
Investments (note 4)	110,871,478	105,241,095
Contributions receivable - employer	2,030,727	1,883,976
Accrued investment income	11,267	10,194
Prepaid expenses and deposits	3,705	915
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	23,946	21,051
	126,046,899	117,561,541
LIABILITIES		
Accounts payable and accrued liabilities	1,745,049	306,417
Amounts due to other health and welfare funds (note 6)	380,410	542,207
Reserve for unpaid claims	2,501,395	2,253,686
Reserve for advance contributions	31,000	31,394
	4,657,854	3,133,704
Net assets available for benefits (note 7)	$ 121,389,045	$ 114,427,837

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Increase in net assets:		
Investment income (note 8)	$ 2,930,806	$ 2,943,838
Changes in net unrealized gains	2,856,623	6,896,437
Employer contributions	31,452,694	33,034,707
Members' and pensioners' cash contributions	1,121,352	1,014,200
Members' optional insurance contributions	52,603	43,634
Reciprocal transfers from other health and welfare funds (note 6)	381,832	704,392
	38,795,910	44,637,208
Decrease in net assets:		
Health, dental, vision and short-term disability claims paid	19,668,691	17,921,798
Long-term disability premiums	2,271,852	2,649,509
Life insurance premiums	2,274,290	3,104,759
Accidental death and dismemberment premiums	413,203	417,180
Claims administration fees	831,089	670,108
Employee assistance program	281,225	342,569
Out-of-country insurance claims	469,680	916,310
Members' optional life insurance premiums	44,005	46,560
Increase in reserve for unpaid claims	247,709	96,963
Reciprocal transfers to other health and welfare funds (note 6)	4,237,975	4,650,873
Investment manager and custodian fees	279,517	249,978
Administrative expenses (note 9)	815,466	685,232
	31,834,702	31,751,839
Increase in net assets available for benefits	6,961,208	12,885,369
Net assets available for benefits, beginning of year	114,427,837	101,542,468
Net assets available for benefits, end of year	$ 121,389,045	$ 114,427,837

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

Year ended December 31, 2014

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 January 1, 2015. 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 30, 2019. 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 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 (to June 2014) and Great West Life (from July 2014) 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 (to June 2014) and Great West Life (from July 2014). 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

1. Nature of the Fund (continued):

(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.

2. Basis of preparation:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for pension plans, which are also applicable to entities 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.

In selecting or changing accounting policies that do not relate to its investment portfolio, Canadian accounting standards for pension plans require the Health and Welfare Fund to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Canada Handbook - Accounting or Canadian Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook - Accounting. The Health and Welfare Fund has chosen to comply on a consistent basis with IFRS.

These financial statements 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.

(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.

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, 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.

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 changes 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 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.

3. Significant accounting policies (continued):

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

(ii) Income recognition (continued):

(e) 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.

(iii) Transaction costs:

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

(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.

3. **Significant accounting policies (continued):**

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

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

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 Statement of Investment Policies and Procedures. 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 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.

3. Significant accounting policies (continued):

(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 CPA Canada 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 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 changes in net assets available for benefits on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

3. Significant accounting policies (continued):

(d) Fair value measurement (continued):

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.

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 The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund"), an organization operating 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.

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4. Investments:

	2014	2013
Phillips, Hager & North - Short Term Bond & Mortgage Fund	$ 67,219,291	$ 64,921,338
Letko Brosseau & Associates - Balanced Fund	43,652,187	40,319,757
	$ 110,871,478	$ 105,241,095

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.

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. Net assets available for benefits:

		2014		2013
Reserves for future plan benefits	$	50,365,312	$	50,170,293
Unallocated		71,023,733		64,257,544
	$	121,389,045	$	114,427,837

The reserve for future plan benefits is a provision established by the Trustees to support the payment of benefits to members and their beneficiaries. The reserve for future plan benefits is comprised of two components calculated as follows:

(a) For active members, an estimated provision based on (i) the average actual cost of benefits for such members for the 12 months ended December 31, 2014 multiplied by (ii) the estimated number of months of coverage determined by dividing the accumulated hour bank for all active members by 130 hours; and

(b) For retired, disabled and widows of deceased members, an estimated provision based on (i) the average actual cost of benefits for such group of persons for the 12 months ended December 31, 2014 multiplied by (ii) 60 months.

8. Investment income:

		2014		2013
Interest income	$	122,260	$	92,498
Phillips, Hager & North Short Term Bond & Mortgage Fund - interest and realized capital gains		1,797,629		1,886,789
Letko Brosseau & Associates Balanced Fund - interest, dividends and realized capital gains		1,010,917		964,551
	$	2,930,806	$	2,943,838

9. Administrative expenses:

	2014	2013
Direct expenses:		
Administration fees	$ 393,163	$ 392,313
Consulting fees	64,292	-
Bank charges	44,741	46,257
Independent trustees	38,676	37,732
Office expenses	34,566	10,619
Audit	25,258	33,218
Other expenses	23,533	11,893
Computer maintenance	14,490	14,640
Legal	6,831	185
Donations	5,000	-
	650,550	546,857
Common expenses shared equally with the Pension Trust Fund (note 3(e)):		
Rent	127,932	127,932
Office expenses	71,704	60,008
Annual report to members	62,400	60,164
Travel, conferences and meeting expenses	32,202	7,094
Postage	31,144	17,907
Other shared expenses	4,450	3,645
	329,832	276,750
Less Pension Trust Fund share	(164,916)	(138,375)
	164,916	138,375
	$ 815,466	$ 685,232

10. 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, 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.

11. 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 – employers, 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.

There were no significant transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2014.

11. Financial instruments (continued):

(a) Fair values (continued):

The following table illustrates the classification of the Pension Fund's financial instruments using the fair value hierarchy as at December 31, 2014:

December 31, 2014	Level 1	Level 2	Level 3	Total
Phillips, Hager & North - Short Term Bond & Mortgage Fund	$ -	$ 67,219,291	$ -	$ 67,219,291
Letko Brosseau & Associates - Balanced Fund	-	43,652,187	-	43,652,187
	$ -	$ 110,871,478	$ -	$110,871,478

December 31, 2013	Level 1	Level 2	Level 3	Total
Phillips, Hager & North - Short Term Bond & Mortgage Fund	$ -	$ 64,921,338	$ -	$ 64,921,338
Letko Brosseau & Associates - Balanced Fund	-	40,319,757	-	40,319,757
	$ -	$ 105,241,095	$ -	$105,241,095

11. Financial instruments (continued):

(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 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.

(iii) Liquidity risk:

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

61% (2013 - 62%) 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, 2014, the Health and Welfare Fund had cash in the amount of $13,105,776 (2013 - $10,404,310).

(iv) Foreign currency risk:

Foreign currency risk is the risk that the value of 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.

11. Financial instruments (continued):

(b) Associated risks (continued):

(ii) 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 2014.

(iii) 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.

12. Comparative information:

Certain comparative information has been reclassified to conform to the current year presentation.

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