For the

Members of

The Edmonton

Pipe Industry

Pension Trust Fund

and

Health and Welfare Fund

2019

ANNUAL REPORT

DIRECTORY

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

16214 – 118 Avenue, Edmonton, Alberta T5V 1M6

Phone (780) 452-1331 Fax (780) 487-4063

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

Board of Trustees

Independent Chair
Gordon Clanachan, FCA, ICD.D

Union Trustees
Stu MacLeod
Larry Matychuk
Barry Pruden
Robert Taylor

Independent Trustees
John Brennan, FCA
Ralph Peterson, CA, ICD.D

Administration Services Provider

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

Auditor

KPMG LLP, Edmonton, Alberta

Legal Counsel

Bryan & Company, Edmonton, Alberta

Pension Trust Fund Investment Managers

Brookfield Asset Management Inc., Toronto, Ontario
Marathon Asset Management, LP, New York, New York, USA
Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia
Letko Brosseau & Associates Inc., Montreal, Quebec
IFM Investors, New York, New York, USA
CBRE Group, Los Angeles, California, USA
Third Eye Capital, Toronto, Ontario
Northleaf Capital Partners, Toronto, Ontario
JP Morgan Investment Management Inc.,
Manulife Financial Asset Management, Toronto, Ontario
Clairvest Group Inc., Toronto, Ontario
Connor, Clark & Lunn Investment Management Ltd., Vancouver, British Columbia
QV Investors Inc., Calgary, Alberta
Neuberger Berman, New York, New York, USA
Trez Capital Asset Management, Toronto, Ontario
DRC (Duet) Capital, London, England
GE Asset Management – Toronto, Ontario
Orbis Investment Management – Bermuda
Infracapital – Edinburgh, Scotland
MB Global Partners – New York, New York, USA
Cyprium Investment Partners – Cleveland, USA
Macquarie Infrastructure Partners – New York, New York, USA
White Oak Global Advisors – New York, New York, USA
Wellington Financial, Toronto, Ontario
Morgan Stanley Investment Management, New York, New York USA

Pension Trust Fund Custodian

CIBC Mellon Trust Company, Calgary, Alberta

Pension Plan Actuary

Mercer (Canada) Limited, Calgary, Alberta

Pension Trust Fund Investment Counsel

Ellement Consulting Group, Vancouver, British Columbia

Health and Welfare Plan Insurer

Canada Life, Winnipeg, Manitoba

Health and Welfare Fund Investment Managers

Phillips, Hager & North Investment Management Ltd., Vancouver, British Columbia
TD Asset Management, Toronto, Ontario

Health and Welfare Plan Employee Assistance Program Provider

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

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 accounting standards for pension plans.

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 Independent 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 use the work of the actuary to support the pension obligations included in financial statements of the Pension Trust Fund.

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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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, 2019.

Covid-19

At the time of writing this report, we are starting to come out of the first, and hopefully only, phase of social and business restrictions arising from the Covid-19 pandemic. This pandemic has caused significant upheaval to our lives and the impact will likely be with us for some time.

Our Plan members have experienced reduced incomes and have been prevented from accessing certain health care services. We attempted to address these matters with a Covid-19 Relief Plan established in April 2020. The aim of the Plan was to provide needed short-term relief on an equitable basis to all Plan members, while protecting the long-term financial sustainability of the Plan.

Our investment portfolios were negatively impacted by a significant amount in the early stages of the pandemic, but have shown some significant improvement to date. We believe that both Plans are in an excellent financial position to weather this storm.

Despite the challenges, our office staff in Edmonton and Markham have performed at an exceptional level during the pandemic and have continued to provide services to members at their usual high standards. Our heartfelt thanks goes out to all of them.

Pension Trust Fund

The Pension Trust Fund is in a strong financial position. As at December 31, 2019 the Pension Fund had net assets available for benefits of $2.155 billion, an accumulated surplus of $577.6 million and a going concern funded ratio of 137%. At the end of Fiscal 2018, the Fund had net assets available for benefits of $1.946 billion with an accumulated surplus of $513.1 million and a funded ratio of 136%.

For the year ended December 31, 2019, the Fund earned a rate of return of 13.07% (2.90% for Fiscal 2018) net of all fees.

In Fiscal 2019, the equity markets rebounded significantly and recouped the losses sustained in the final quarter of 2018. As we have witnessed thus far in 2020, there is significant volatility in global capital markets due to COVID-19. Almost 45% of the Plan's assets are invested in Alternative Asset classes. This asset diversification has had a long-term positive impact on our overall returns.

Each year, we review and discuss the Plan's ability to increase pensions. In December 2019, we announced a 3% increase to the accrued pensions at December 31, 2018 for all Active members as well as a 3% increase to the Pensions in pay at January 1, 2019.

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 is reviewed regularly with the last update in December of 2019.

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 and other Plan documents are available on the Plan's website. In addition, Plan Members are entitled to examine or obtain various Plan documents as itemized in Sections 43 and 46 of the Alberta Pension Regulations.

Health and Welfare Fund

The Health and Welfare Fund's financial position improved marginally in 2019 with net assets increasing by $0.3 million. As at December 31, 2019, net assets available for benefits were $119.2 million compared to $118.9 million at December 31, 2018. However, an increase in Investment Income from $1.2 million in 2018 to $12.6 million in 2019 was a major factor. This increase helped offset a decline in employer contributions and the continued increase in member cost of benefits. The Trustees are very concerned about the declining number of hours worked and the fact that there has not been an increase to the hourly contribution rate since 2014.

After an in-depth study and analysis of all benefit coverages and costs, and after lengthy deliberations, the Trustees introduced certain changes to the Plan's benefits. We also reviewed and adjusted the "premiums" paid by the different categories of members to ensure fairness and equity in the amounts paid by each category. The objective of these changes was to ensure that the Plan, and the benefits provided by the Plan, are financially sustainable over the long term and that all members and their families receive the best possible coverage at an affordable price.

Members were notified in October, 2019 of the changes to the plan of benefits, eligibility and payment requirements for the retiree benefit program which came into effect January 1, 2020.

Boards of Trustees

There were no changes to the Boards of Trustees in 2019. In March 2020, Rod McKay, Business Manager, was appointed to the Boards and Stu MacLeod, Barry Pruden and Robert Taylor were elected to the Boards by the Union Membership.

We are also pleased to welcome Mr. Ray Pisani to the Boards as an Independent Trustee. He has been appointed for a two-year term and will join the Boards on July 1, 2020. Ray recently retired after a 35-year career at Alberta Blue Cross culminating in a decade of service as President and CEO. In addition to Ray's benefit industry experience, he holds the Institute of Corporate Directors designation and is currently the Board Chair of NAIT.

Larry Matychuk retired from the Boards in March 2020. Larry was a Trustee for a total of almost 20 years. He was a dedicated and valuable member of the Boards and made a significant contribution during his tenure. John Brennan announced his resignation as an Independent Trustee effective June 30, 2020. We will miss the thoughtful guidance, expertise and professionalism that John brought to the Boards during his 13 years with us.

The Board of Trustees of the Pension Trust Fund met 6 times during the year ended December 31, 2019. The Health and Welfare Fund met 9 times. In addition, the Board of Trustees has an Audit Committee which met twice in 2019.

Your Boards of Trustees strive to apply governance best practices and procedures. The Boards are comprised of dedicated, knowledgeable Trustees who are passionate about ensuring that Members continue to receive valuable benefits that are sustainable over the long term.

In an effort to reduce overall costs, the Trustees decided that distribution of Annual Reports will be done electronically except where legislation requires that certain members receive it via mail. To that end, Annual Reports will be posted in the Newsroom section of the Plan's website ***www.epibenefitplans.com***. Those who wish to receive a paper copy of the Annual Report may visit the Administration Office to pick one up or call and one will be mailed to your home address.

Submitted on behalf of the Trustees,

Gordon Clanachan, FCA, ICD.D
Chairman, Board of Trustees
June, 2020

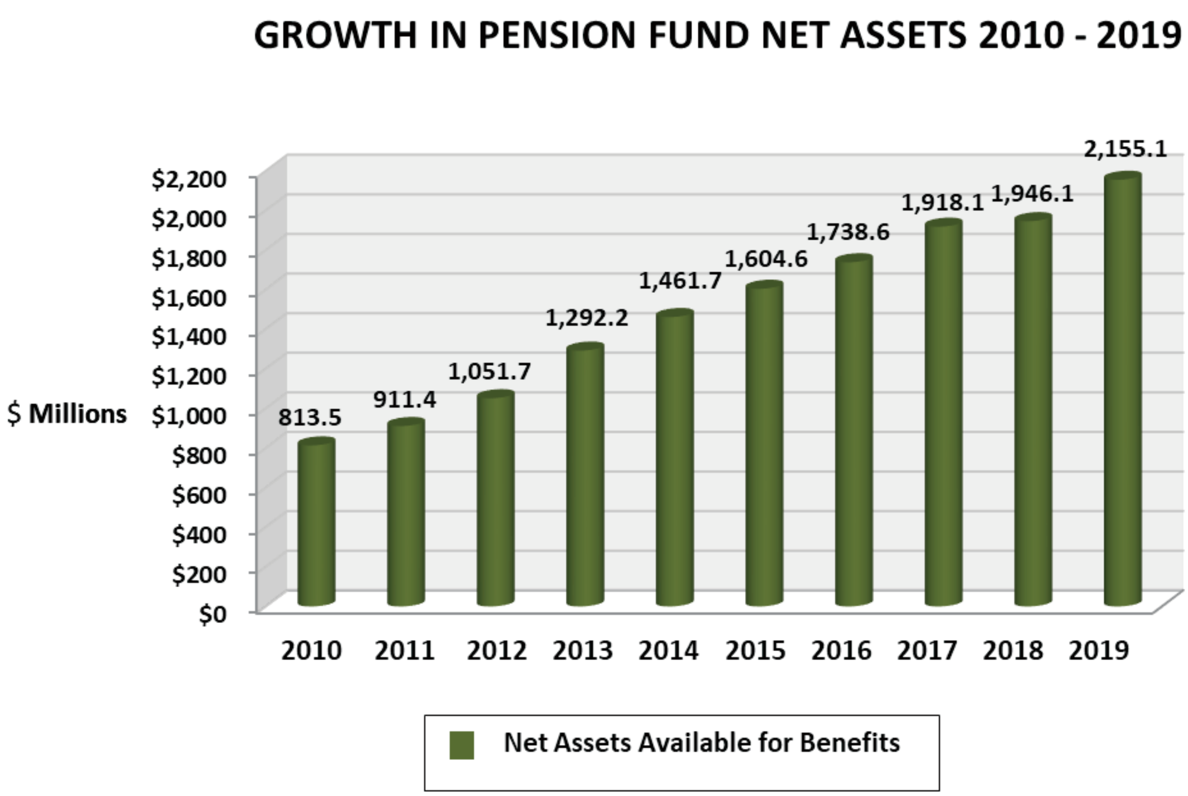
PENSION FUND HIGHLIGHTS AND COMMENTARY

Pension Fund Assets

At December 31, 2019, the Pension Fund had $2.155 billion in net assets available for benefits. This is an increase of $209 million compared to the net assets available for benefits at December 31, 2018. Employer contributions in 2019 were $36.5 million, a decrease of $9.7 million compared to 2018.

The Pension Fund received net contributions in respect of 5.5 million hours worked during 2019. During 2018 the Fund received contributions in respect of 6.8 million hours.

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

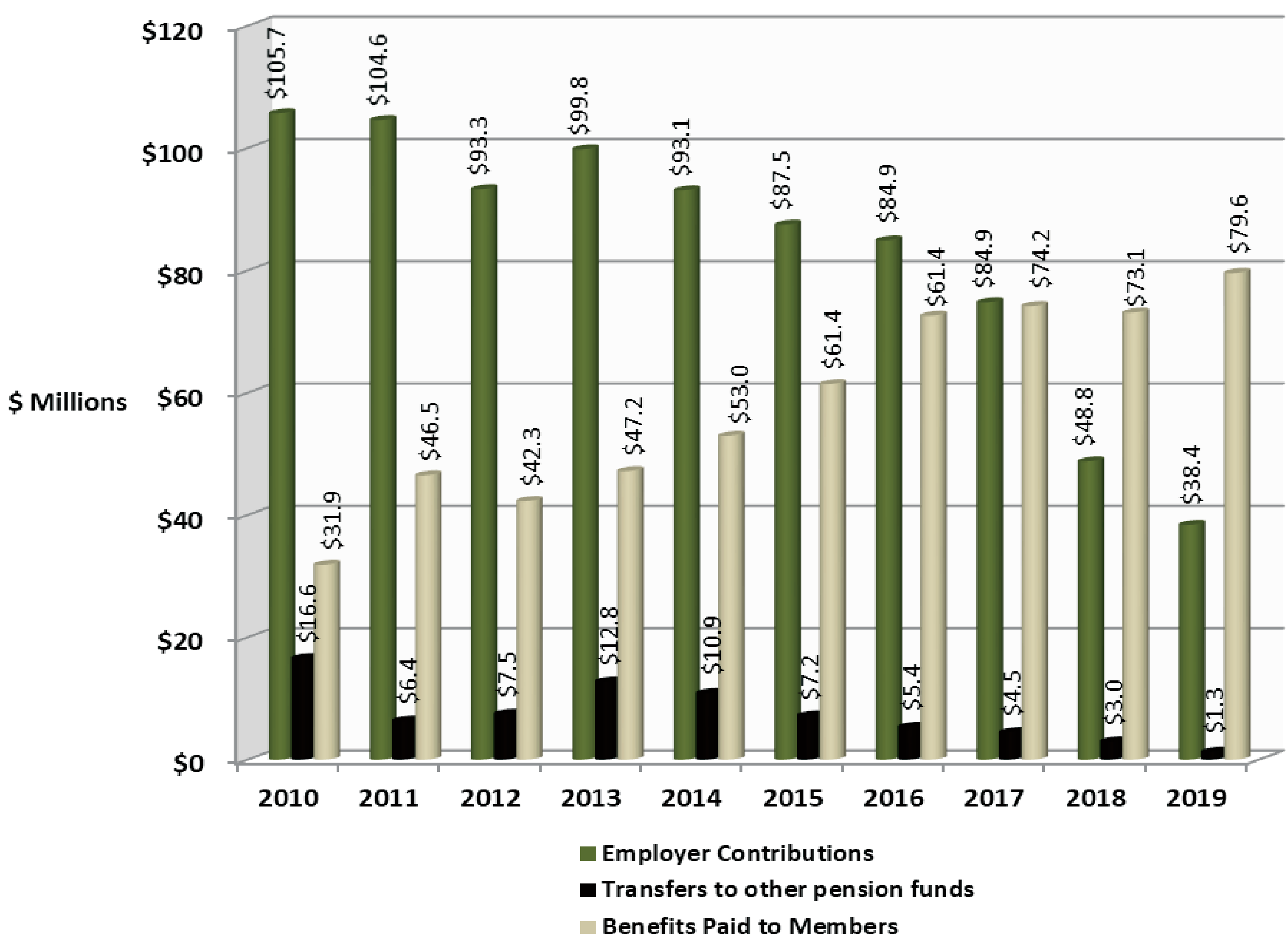


Pension Fund Contributions

During 2019, contributing employers (including Reciprocal Transfers in) paid $38.4 million into the Pension Fund on behalf of Members, compared to $48.8 million in 2018.

From the $38.4 million received, the Pension Fund transferred $1.3 million to other pension funds on behalf of individuals who were subject to reciprocal agreements.

For the year ended December 31, 2019, the Pension Fund paid $79.6 million ($73.1 million in 2018) in pension, death and termination benefit payments.

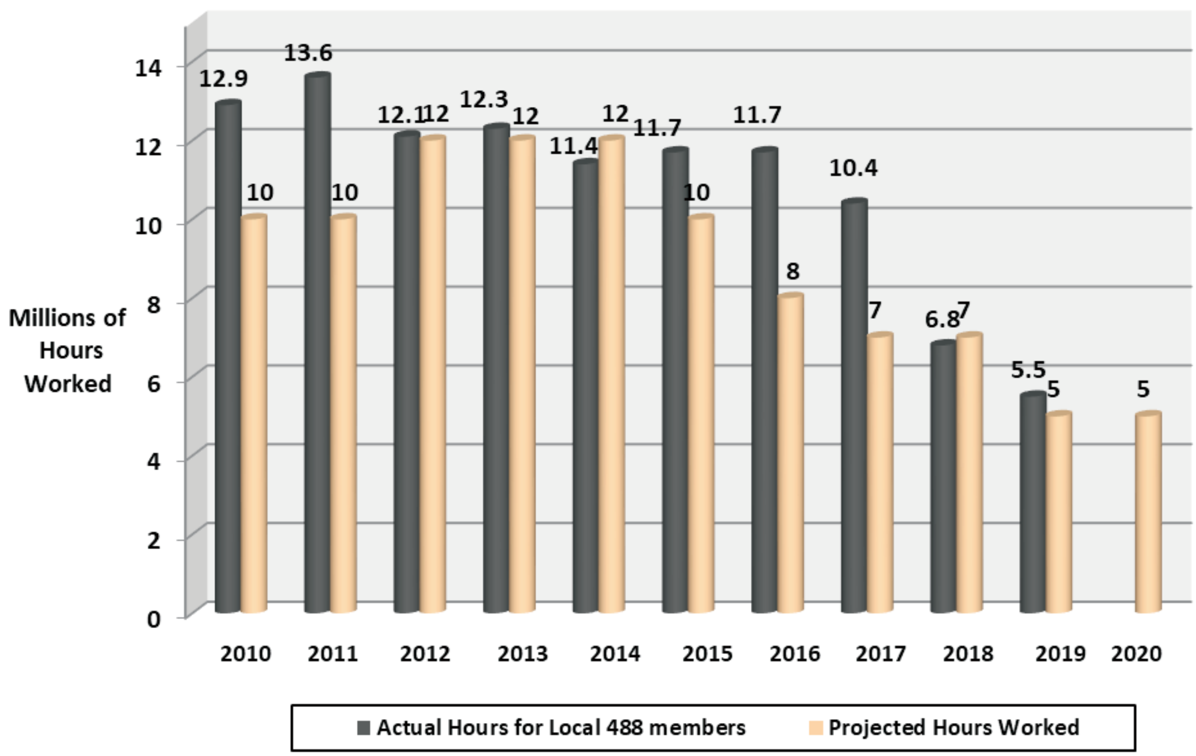


Employer Contributions and Hours Reported to the Pension Fund

During the year ended December 31, 2019, the Pension Fund received employer contributions based on 5.7 million hours worked in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 0.2 million hours to other pension funds on behalf of union members who were not members of Local 488. Included in the remaining hours of 5.5 million is 0.3 million hours earned by Retired Members.

For Fiscal 2020, the Pension Plan will use an assumption that 5 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 2010 – 2020



Pension Fund Investment Rate of Return

Asset class and the Pension Fund's returns for the year ended December 31, 2019 were:

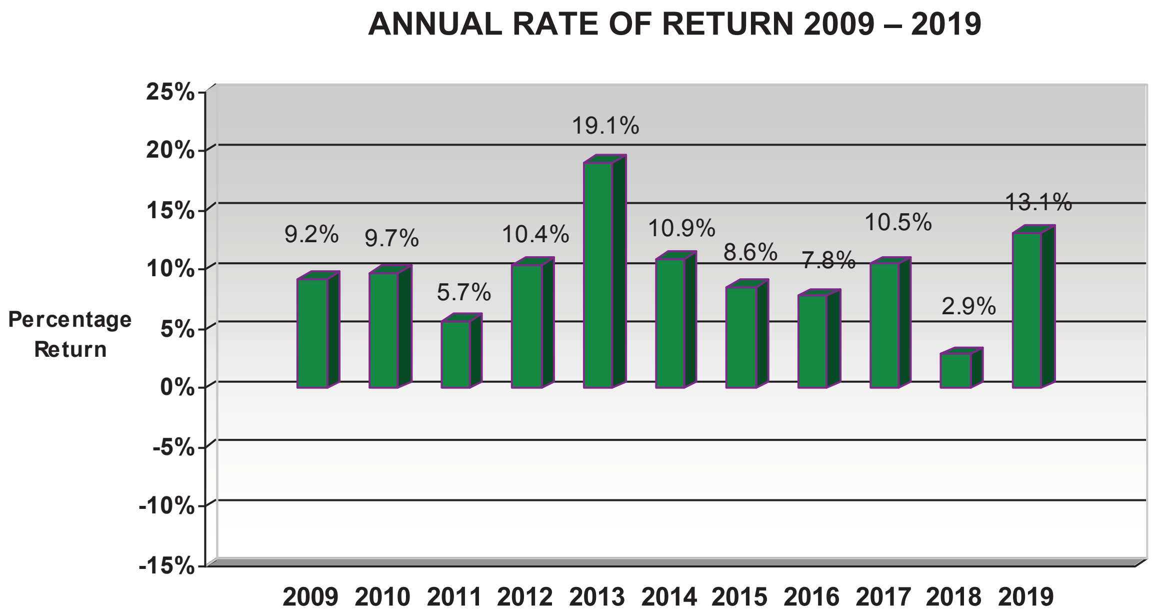
Asset Class	Pension Fund Return for The Year Ended December 31, 2019	Market Return for the Year Ended December 31, 2019
Canadian Equities	18.9%	22.9%
Canadian Long Term Bonds	12.8%	12.7%
Canadian Universe Bonds	6.8%	6.9%
Canadian Treasury Bills	1.7%	1.7%
Global Equities	20.6%	21.2%
Alternative Fixed Income (Private Debt)	5.2%	**
Infrastructure	6.0%	**
Private Equities	22.9%	**
Real Estate	4.1%	**

**** Market Returns for these Asset Classes not publicly available**

For the year ended December 31, 2019, the Pension Fund earned an overall rate of return of 13.07%. In Fiscal 2018, the Fund had a rate of return of 2.90%. The Pension Plan's assumed investment return for the 2019 actuarial valuation was 4.74%. The chart on the following page shows the annual rates of return of the Pension Fund from 2009 to 2019 inclusive.

The Fund's target investment return assumption of 4.74% was set by the Trustees based on input from the Fund's advisors and after taking into consideration the continued volatility in the global investment markets. This assumption is reviewed annually.

Pension Fund Investment Rate of Return (Cont'd)



Pension Fund Investments

For the year ended December 30, 2019 the Fund's investments returned 13.07% after fees (13.98% before fees). The average pension fund, invested in a balanced portfolio, measured by our independent performance measurement service returned 15.0% before fees for the year ended December 31, 2019.

Pension Fund Investments (Cont'd)

As part of their ongoing management of the Fund, the Trustees complete an annual 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, 2019 (based on market values)
	Minimum	Normal	Maximum	
Cash and Cash Equivalents	0%	0%	4%	0.2%
Canadian Fixed Income (Bonds)	15%	19%	30%	16.5%
Publicly Traded Equities (Canadian)	10%	15%	25%	16.5%
Publicly Traded Equities (Foreign)	10%	19%	30%	22.0%
Private Equities	5%	12%	15%	6.7%
Real Estate	5%	10%	12.5%	10.6%
Infrastructure	5%	10%	15%	13.1%
Alternative Fixed Income	5%	15%	20%	14.4%

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 current and recent low interest rates. Accordingly, the Trustees continue on the path of diversification among asset classes with a further focus on investments in alternative asset classes.

Pension Fund Investments (Cont'd)

The alternative asset classes include Private Equity, Real Estate, Infrastructure and Alternative 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.

Alternative 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.

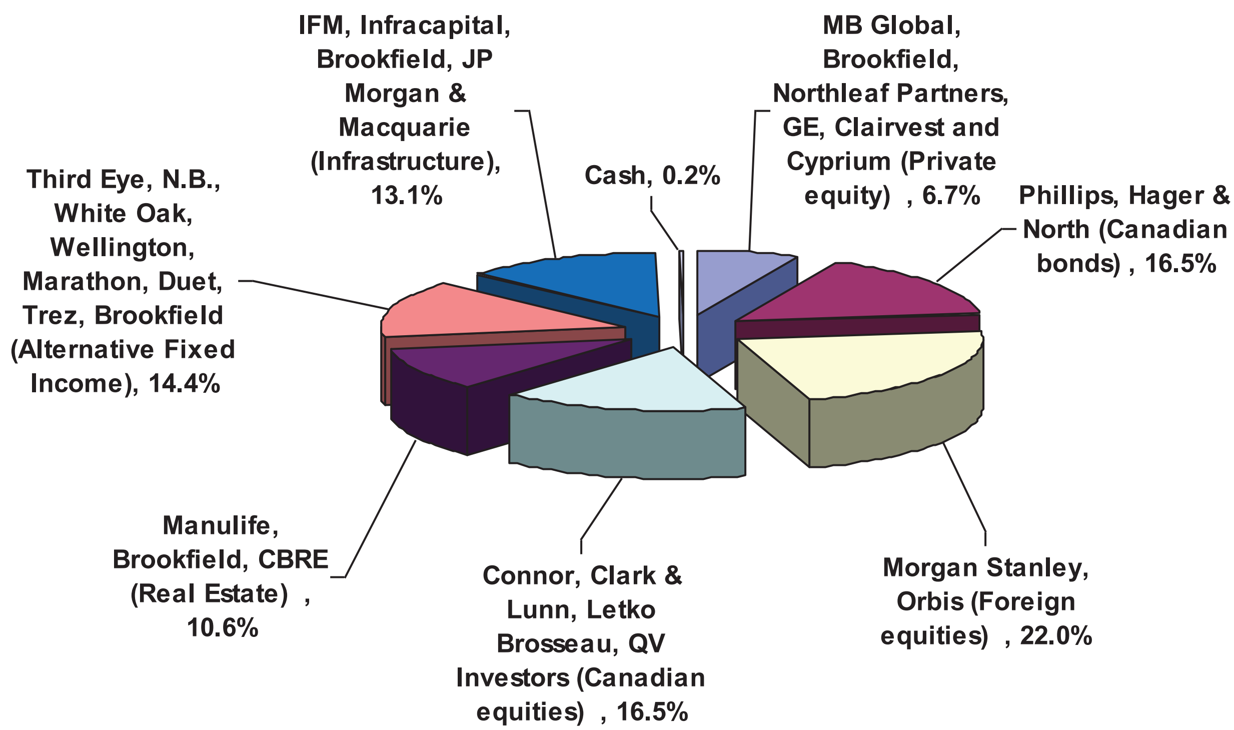
The Trustees have policies in place to monitor the overall asset mix of the Fund and to guide the investment of contributions from employers and investment income.

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 then take action in the event they believe an investment manager's performance will not meet the standard.

The Pension Funds assets are divided amongst 25 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 unacceptable market risk. The allocation of Fund assets to the independent investment managers, as at December 31, 2019, is illustrated as follows:



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 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.

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

ACTUARIAL VALUATION

Membership Data	2012	2013	2014	2015	2016	2017	2018	**2019**
Number of active members	8491	8441	8108	8267	8461	7606	7345	**6487**
Average age of active members (in years)	40.2	40.6	40.6	40.6	40.7	41.1	41.8	**41.9**
Average hours worked	1783	1740	1715	1575	1555	1549	1110	**1124**
Number of pensioners (including disabled)	2590	2748	2892	3060	3234	3431	3610	**3820**
Average age of pensioners (in years)	69.4	69.5	69.8	70.0	70.1	70.3	70.6	**70.8**

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 actual market value of the assets 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 at least 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:

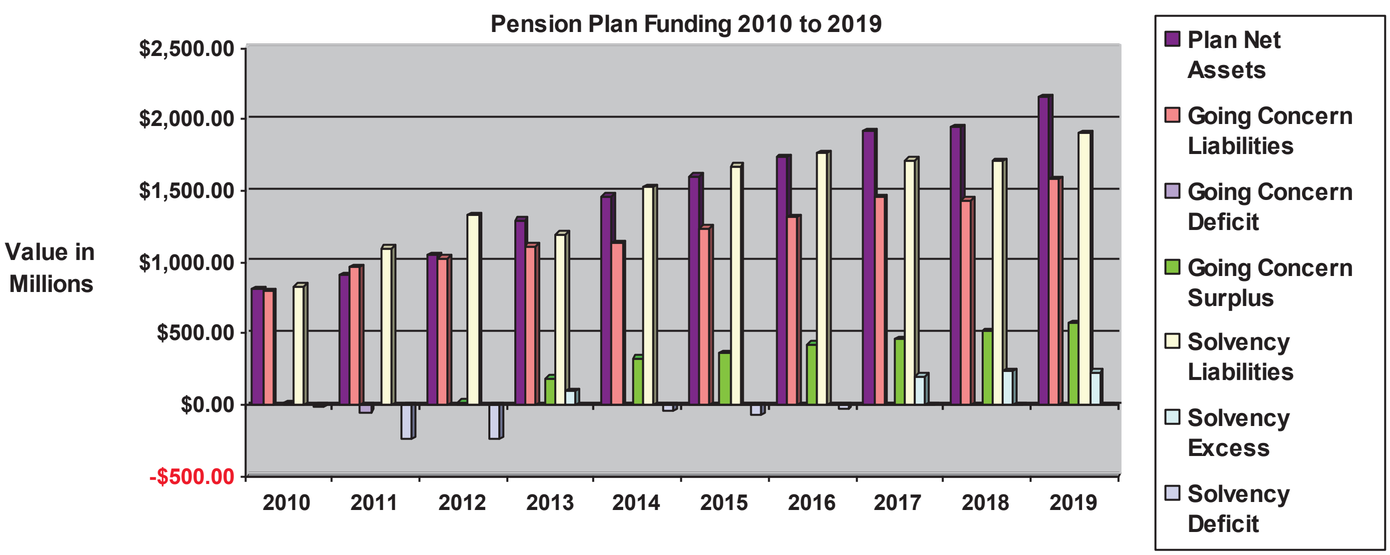
- *The rate of return that the Pension Fund's investments will earn.* This assumption predicts the future growth of the Pension Fund's assets.

  For the 2019 actuarial valuation, the target rate of return on Fund investments was 4.74%. This is determined based on target asset allocation of the Pension Fund and guidance from Alberta Treasury Board and Finance.

- *The number of hours each member will work in the future.* This assumption predicts the amount of contributions the Pension Fund will receive each year. The contribution rate is set out in the collective agreement and is a defined amount to be paid per hour worked.

The more hours worked by Local 488 members, the higher the total amount of contributions that are paid to the Pension Fund. Contributions are invested and are used to pay the Plan's benefits. For the 12 months ended December 31, 2019, Local 488 members worked a total of 5.5 million hours, compared to the forecast of 5 million hours. For Fiscal 2020 the Plan's assumption remains that Local 488 members will work 5 million hours. The assumption regarding hours worked is closely monitored at each Trustees' meeting.

The Pension Plan's funding status from 2010 to 2019 is shown in the illustration below:



ACTUARIAL VALUATION (Cont'd)

The Plan's going concern funded ratio improved to 137% at December 31, 2019 compared to 136% at December 31, 2018. The Plan's solvency funding ratio declined to 113% at December 31, 2019 compared to 114% at December 31, 2018. The Plan had a solvency excess of $245.7 million at the end of Fiscal 2019. At December 31, 2018, the Plan had a solvency excess of $232.7 million.

The Plan pays Termination Benefits based upon the going concern method used in the Actuarial Valuation. The interest rate used for this calculation in 2020 will be 5.42%.

Effective January 1, 2007 the Plan was amended to allow a defined contribution benefit accrual for retired Members who return to work in participating employment. In 2015 the Trustees amended the accrual rate to be the hourly contribution less 5% (currently $6.279 per hour worked). At December 31, 2019 the value of the defined contribution benefit for retired Members is $23.9 million.

Financial Statements of

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Edmonton Pipe Industry Pension Trust Fund (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligation for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, its changes in net assets available for benefits and its changes in pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2019 - Annual Report".

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2019 - Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

KPMG

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
May 13, 2020

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND
Financial Statements

Year ended December 31, 2019

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Financial Position

December 31, 2019, with comparative information for 2018

		2019		2018
ASSETS				
Cash and cash equivalents	$	36,853,880	$	33,637,482
Investments (note 4)		2,119,495,544		1,911,779,874
Contributions receivable		2,067,479		2,025,732
Accounts receivable		106,654		107,646
Prepaid expenses and deposits		35,084		37,682
		2,158,558,641		1,947,588,416
LIABILITIES				
Accounts payable and accrued liabilities		1,577,420		1,385,837
Retroactive benefit improvement payable		1,764,485		-
Amounts due to other pension funds (note 5)		137,444		123,023
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 6)		2,894		3,855
		3,482,243		1,512,715
Net assets available for benefits		2,155,076,398		1,946,075,701
Pension obligations (note 7)		1,577,479,000		1,432,965,000
Accumulated surplus	$	577,597,398	$	513,110,701

Subsequent event (note 13)

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, 2019, with comparative information for 2018

	2019	2018
Increase in net assets:		
Investment and other income, net (note 8)	$ 267,990,030	$ 69,447,264
Employer contributions (note 9)	36,514,038	46,262,990
Pension credits and reciprocal transfers in	1,881,847	2,541,256
	306,385,915	118,251,510
Decrease in net assets:		
Benefit payments:		
Retirement	60,081,379	54,968,809
Transfers and lump sum payments	18,775,946	16,409,302
Death benefits	702,552	1,728,564
Pension credits and reciprocal transfers out	1,339,793	3,018,553
Investment manager and custodian fees	15,102,966	12,918,473
Administrative expenses (note 10)	1,382,582	1,293,764
	97,385,218	90,337,465
Increase in net assets available for benefits	209,000,697	27,914,045
Net assets available for benefits, beginning of year	1,946,075,701	1,918,161,656
Net assets available for benefits, end of year	$ 2,155,076,398	$ 1,946,075,701

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Changes in Pension Obligations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Pension obligations, beginning of year	$ 1,432,965,000	$ 1,455,030,000
Benefit improvement, effective January 1st	36,244,000	-
	1,469,209,000	1,455,030,000
Benefits accumulated	28,666,000	36,947,000
Pension credits and reciprocal transfers in	1,882,000	2,541,000
Reciprocal transfers out	(480,000)	(75,000)
Benefits paid	(79,559,000)	(73,107,000)
Interest	78,290,000	74,066,000
Impact of assumption changes – end of year	81,979,000	(58,080,000)
Net gains – end of year	(2,508,000)	(4,357,000)
Pension obligations, end of year	$ 1,577,479,000	$ 1,432,965,000

See accompanying notes to financial statements.

1. **Nature of The Edmonton Pipe Industry Pension Trust 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 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, 2019. The Plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 1, 1965 (the "Collective Agreement") which expired on April 30, 2019. An updated Collective Agreement is currently under negotiation. The Plan is a registered pension plan with Canada Revenue Agency.

The following is a brief summary of the main provisions of the Plan in effect at December 31, 2019. 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 January 1, 2017, for each full 100 covered hours, a member earns a monthly pension benefit of $6.79 for service on or after January 1, 2017.

(c) Contributions:

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

(d) Retirement dates:

(i) Normal retirement date:

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

1. Nature of The Edmonton Pipe Industry Pension Trust Fund (continued):

(d) Retirement dates (continued):

(ii) Early retirement date:

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.

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.

1. Nature of The Edmonton Pipe Industry Pension Trust Fund (continued):

(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.

(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.

1. **Nature of The Edmonton Pipe Industry Pension Trust Fund (continued):**

(f) Survivor benefits (continued):

(ii) Death while in receipt of a pension (continued):

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. Effective September 1, 2014, a member terminating membership in the Plan is entitled to a deferred pension from the Plan.

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

If a member is under the age of 55, 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.

1. Nature of The Edmonton Pipe Industry Pension Trust Fund (continued):

(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 between September 30, 2009 and December 31, 2014, a portion of the employer contribution, based on the Plan's current service cost rate, accrues for the benefit of the retired member. For work periods after the retired member's initial retirement date and after January 1, 2015, the entire employer contribution less a 5% administrative fee 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.

The Board of Trustees have engaged McAteer – Employment Benefit Plan Services Limited as administration services provider for the Pension Fund.

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 or pension obligations, 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 financial activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan nor the benefit security of individual Plan members.

2. Basis of preparation:

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investments and derivative financial instruments which are recorded at fair value through the statement of 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 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.

Measurement uncertainty exists in the valuation of the pension obligations of the Plan and the Pension Fund's Level 3 investments. Measurement uncertainty arises because:

i) the Plan's actual experience may differ, perhaps significantly, from assumptions used in the valuation of the pension obligations of the Plan; and

ii) the estimated fair values of the Pension Fund's Level 3 investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the pension obligations of the Plan and the Pension Fund's Level 3 investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the pension obligations of the Plan are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in pension obligations in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in investment and other income, net in the year when the ultimate realizable values are known.

3. Significant accounting policies:

These financial statements have been prepared in accordance with the significant accounting policies set out below.

(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 (losses) on investments.

(b) Income recognition:

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

(c) Financial assets and financial liabilities:

(i) 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. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

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 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:

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

(ii) Financial liabilities:

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

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

(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.

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

(d) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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.

3. Significant accounting policies (continued):

(d) Fair value measurement (continued):

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.

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 (losses) on investments.

Fair values of investments are determined as follows:

Cash and cash equivalents are stated at cost, which together with accrued investment income approximates fair value given the short term nature of these instruments.

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.

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.

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

Alternative fixed income, infrastructure, private equities and real estate investments are held through ownership in limited partnership arrangements or other similar investment vehicles. Fair value is determined based on relevant information reported by the General Partner using accepted industry valuation methods using valuations as of 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.

3. Significant accounting policies (continued):

(d) Fair value measurement (continued):

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) Net realized gain on sale of investments:

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

(f) Pension obligations:

The value of pension obligations is determined based on actuarial valuations prepared by an independent actuarial firm. Actuarial valuations are prepared every year for financial statement reporting purposes and for purposes of determining funding requirements.

For financial statement reporting purposes, the Pension Fund is required to report the actuarial value of pension obligations using management's best estimate assumptions and the unit credit actuarial cost method assuming the Plan is maintained indefinitely.

(g) Common expenses:

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

(h) 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:

	2019	2018
By investment manager:		
Direct investments:		
Letko, Brosseau & Associates Inc.	$ 87,048,281	$ 78,866,710
	87,048,281	78,866,710
Pooled funds:		
Phillips, Hager & North Investment Management Ltd.	350,099,716	339,107,771
Orbis Institutional Global Equity	213,292,041	183,738,446
Morgan Stanley Investment Management	251,768,514	202,836,248
QV Investors Inc.	139,577,511	119,878,939
Connor, Clark & Lunn Investment Management Ltd.	130,870,605	105,282,950
	1,085,608,387	950,844,354
Alternative fixed income:		
Trez Capital Finance LP	25,517,154	33,189,302
White Oak Global Advisors	85,568,865	54,079,016
Basso Capital Management	-	4,157,252
Wellington Financial LP	455,603	540,165
Trez Capital Yield Trust	58,541,524	44,031,340
Duet European Real Estate Debt Fund	34,289,463	28,573,202
Brookfield Asset Management Inc.	20,927,763	21,860,482
Marathon Asset Management	4,440,994	7,750,689
Neuberger Berman Investment Advisors LLC	25,818,866	8,536,072
Third Eye Capital	46,845,818	43,035,044
	302,406,050	245,752,564
Infrastructure:		
Brookfield Asset Management Inc.	96,776,682	94,232,972
Macquarie Infrastructure Partners Inc.	79,054,638	73,277,497
JP Morgan Infrastructure Investments Fund	47,757,861	50,820,725
Infracapital	12,279,799	12,164,473
IFM Global Infrastructure Fund	39,003,631	35,588,144
	274,872,611	266,083,811

4. Investments (continued):

	2019	2018
By investment manager (continued):		
Private equities:		
Brookfield Asset Management Inc.*	53,582,976	70,768,398
Marathon Asset Management*	-	29,996,129
Clairvest Equity Partners	35,721,420	23,051,182
Cyprium Capital Partners	23,174,096	16,062,519
Northleaf Capital Partners	14,946,913	12,008,933
MB Global Partners	14,654,106	14,385,445
GE Asset Management Fund	190,801	425,231
	142,270,312	166,697,837
Real estate:		
Brookfield Asset Management Inc.	127,105,350	119,568,265
Manulife Financial	53,248,828	49,734,805
CBRE Global Investors	42,753,751	42,204,573
	223,107,929	211,507,643
Derivative contracts:		
CIBC Capital Markets	4,181,974	(7,973,045)
	4,181,974	(7,973,045)
	$ 2,119,495,544	$ 1,911,779,874

*The Pension Fund transferred its remaining investment in Marathon Asset Management to Brookfield Asset Management Inc. during the year ended December 31, 2019. The Pension Fund has committed to make an investment of $40,000,000US in Northleaf Capital Partners subsequent to December 31, 2019.

4. Investments (continued):

		2019	%		2018	%
By asset class:						
Cash and cash equivalents	$	4,915,653	0.2	$	3,279,635	0.2
Canadian equities and funds		350,439,016	16.5		300,748,052	15.7
Non-Canadian equity funds		467,202,283	22.0		386,575,606	20.2
Fixed income and pooled funds		350,099,716	16.5		339,107,771	17.7
Alternative fixed income		302,406,050	14.4		245,752,564	12.9
Infrastructure		274,872,611	13.0		266,083,811	13.9
Private equities		142,270,312	6.7		166,697,837	8.7
Real estate		223,107,929	10.5		211,507,643	11.1
Derivative contracts		4,181,974	0.2		(7,973,045)	(0.4)
	$	2,119,495,544	100.0	$	1,911,779,874	100.0

Derivative contracts represent derivative financial instruments, the value of which is derived from the value of underlying assets, interest rates or exchange rates. The Pension Fund utilizes such contracts for managing exposure to foreign currency volatility. Derivative contracts, transacted either on a regulated exchange market or in the over-the-counter market directly between two counterparties include:

	Notional amount		Fair value	
	2019	2018	2019	2018
Foreign exchange contracts:				
US dollar	$ 348,919,870	$ 296,120,681	$ 4,153,965	$ (5,503,058)
British pound	52,055,103	56,311,078	(181,487)	(1,427,250)
Euro	68,033,379	58,021,996	209,496	(1,042,737)
	$ 469,008,352	$ 410,453,755	$ 4,181,974	$ (7,973,045)

The foreign exchange contracts mature over the next three months.

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure.

5. Reciprocal agreements with 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:

An actuarial valuation of the pension obligations of the Plan was carried out by Mercer, the Plan's actuaries, as at December 31, 2018 to determine funding requirements for the Plan.

The actuarial valuation of the pension obligations of the Plan was updated by the Plan's actuaries based on membership data as at December 31, 2019 as provided by the Plan. The Plan's actuaries applied tests for internal consistency, as well as for consistency with the data used for the December 31, 2018 actuarial valuation for funding purposes, and this updated information has been used to calculate the Plan's pension obligations for financial statement reporting purposes in the current year.

The assumptions used for financial statement reporting purposes as at December 31, 2019 are unchanged from those included in the actuarial valuation for funding purposes as at December 31, 2018, except for the discount rate as noted below and changes to certain demographic assumptions resulting from an experience study performed by the Plan's actuaries. The major assumptions used in the actuarial valuations for financial statement reporting purposes, as approved by the Plan's Trustees, are as follows:

	2019		2018	
	Valuation assumption	Actual	Valuation assumption	Actual
Discount rate / investment return	4.74%	13.07%	5.42%	2.90%
Hours worked	5,000,000	5,479,032	5,000,000	6,784,291

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

7. Pension obligations (continued):

The mortality table assumption used for the 2019 and 2018 valuations is 120% of the 2014 Private Sector Canadian Pensioners Mortality (CPM) table fully generational using scale CPM-B.

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

	2019	2018
Net assets available for benefits	$ 2,155,076,398	$ 1,946,075,701
Actuarial liability - present value of accrued benefits for:		
Active members	615,584,000	623,435,000
Pensioners and survivors	760,904,000	649,655,000
Disabled pensioners	64,897,000	45,941,000
Deferred pensioners	112,188,000	87,815,000
Post-retirement benefits for active retired members	23,906,000	26,119,000
	1,577,479,000	1,432,965,000
Funding excess as determined on a going concern basis	$ 577,597,398	$ 513,110,701
Funded ratio	137%	136%

8. Investment and other income, net:

		2019		2018
By investment type:				
Direct investments:				
Interest	$	95,744	$	53,992
Dividends		2,273,616		2,378,205
Pooled funds		23,432,817		22,135,368
Alternative fixed income, infrastructure, real estate and private equities		37,306,856		43,483,345
Realized gains on sale of investments		46,531,734		65,539,324
Realized foreign currency gains (losses)		8,113,872		(11,329,024)
Change in unrealized gains (losses) on investments		171,845,165		(101,460,756)
Change in unrealized foreign currency (losses) gains		(22,314,631)		47,963,580
		267,285,173		68,764,034
Other income		704,857		683,230
	$	267,990,030	$	69,447,264

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

		2019		2018
Current service cost	$	5.512	$	5.626
Provision for adverse deviation		0.743		0.773
Total minimum required contribution rate		6.255		6.399
Average negotiated contribution rate		6.610		6.610
Net margin	$	0.355	$	0.211

10. Administrative expenses:

		2019		2018
Direct expenses:				
Administration services provider fees	$	493,731	$	479,088
Actuarial and consulting fees		188,520		180,240
Investment consulting fees		187,075		167,320
Legal		80,859		70,341
Independent trustees fees		77,000		77,000
Audit		75,366		72,499
Non-deductible GST and HST		55,277		52,422
Insurance		27,143		26,625
Registration		36,415		25,172
Other expenses		2,983		3,752
		1,224,369		1,154,459
Common expenses shared equally with the Health and Welfare Fund (note 3(f)):				
Rent		121,840		121,840
Office expenses		82,609		83,046
Postage		45,844		23,322
Travel, conferences and meeting expenses		24,435		9,680
Annual report to members		22,900		21,878
Non-deductible GST and HST		13,963		12,732
Other shared expenses		4,834		6,112
		316,425		278,610
Less Health and Welfare Fund share		(158,212)		(139,305)
		158,213		139,305
	$	1,382,582	$	1,293,764

The Pension Fund defines its key management personnel as members of the Board of Trustees and its administration services provider who are responsible for planning, controlling and directing the activities of the Pension Fund.

11. Capital risk management:

The capital of the Pension Fund is represented by the net assets available for benefits. 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 Pension Fund, which are not presented or discussed in these financial statements.

The Pension Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Pension Fund Trustees. The SIPP established on February 11, 2000 and was last amended on December 12, 2019.

The Pension Fund's investment was allocated within allowed asset categories in the SIPP, as of the date of the Pension Fund's financial statements. The following tables present the asset allocation for each asset category and total investments, along with appropriate benchmarks, based on the SIPP in effect at the end of December 31, 2019 and December 31, 2018:

2019	Benchmark	Target Range (%)	Actual (%)
Cash and cash equivalents	91 Day Treasury Bill	0.0 - 4.0	0.2
Canadian equities	S&P TSX Composite BMO Small Cap Unweighted Blended Index	10.0 - 25.0	16.5
Non-Canadian equities	MSCI World Index	10.0 - 30.0	22.0
Fixed income securities	FTSE TMX Canada Long Term Bond Index	15.0 - 30.0	16.5
Alternative fixed income	FTSE TMX Canada Universe Term Bond Index	5.0 - 20.0	14.4
Infrastructure	Canadian CPI + 6%	5.0 - 15.0	13.1
Private equities	MSCI World Index	5.0 - 15.0	6.7
Real estate	Canadian CPI + 5%	5.0 - 12.5	10.6
Total investments		100.0	100.0

The Pension Fund's investments are within the asset allocation target ranges as at December 31, 2019.

11. Capital risk management (continued):

2018	Benchmark	Target Range (%)	Actual (%)
Cash and cash equivalents	91 Day Treasury Bill	0.0 - 4.0	0.2
Canadian equities	S&P TSX Composite BMO Small Cap Unweighted Blended Index	10.0 - 25.0	15.7
Non-Canadian equities	MSCI World Index	10.0 - 30.0	20.2
Fixed income securities	FTSE TMX Canada Long Term Bond Index	15.0 - 30.0	17.7
Alternative fixed income	FTSE TMX Canada Universe Term Bond Index	5.0 - 20.0	12.8
Infrastructure	Canadian CPI + 6%	5.0 - 15.0	13.7
Private equities	MSCI World Index	5.0 - 15.0	8.7
Real estate	Canadian CPI + 5%	5.0 - 12.5	11.0
Total investments		100.0	100.0

The Pension Fund's investments are within the asset allocation target ranges as at December 31, 2018.

The Pension Fund's investment positions expose it to a variety of financial risks which are discussed in note 12. The Pension Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employer contributions) in accordance with the approved SIPP. The allocation of assets among various asset categories is monitored on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, ranking of returns and risk analysis.

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 the employers. The main 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 and cash equivalents, 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.

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

2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,915,653	$ -	$ -	$ 4,915,653
Canadian equities	79,990,900	270,448,116	-	350,439,016
Non-Canadian equities	2,141,728	465,060,555	-	467,202,283
Fixed income securities	-	350,099,716	-	350,099,716
Alternative fixed income	-	-	302,406,050	302,406,050
Infrastructure	-	-	274,872,611	274,872,611
Private equities	-	-	142,270,312	142,270,312
Real estate	-	-	223,107,929	223,107,929
Derivative contracts	-	4,181,974	-	4,181,974
	$ 87,048,281	$1,089,790,361	$ 942,656,902	$ 2,119,495,544

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2019 and 2018.

12. Financial instruments (continued):

(a) Fair values (continued):

2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,279,635	$ -	$ -	$ 3,279,635
Canadian equities	75,586,163	225,161,889	-	300,748,052
Non-Canadian equities	913	386,574,693	-	386,575,606
Fixed income securities	-	339,107,771	-	339,107,771
Alternative fixed income	-	-	245,752,564	245,752,564
Infrastructure	-	-	266,083,811	266,083,811
Private equities	-	-	166,697,837	166,697,837
Real estate	-	-	211,507,643	211,507,643
Derivative contracts	-	(7,973,045)	-	(7,973,045)
	$ 78,866,711	$ 942,871,308	$ 890,041,855	$ 1,911,779,874

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

2019	Alternative fixed income	Infrastructure	Private Equities	Real estate	Total
Balance, beginning of year	$ 245,752,564	$ 266,083,811	$ 166,697,837	$ 211,507,643	$ 890,041,855
Change in cash balance held with investment managers	221,371	14,626	5,667,597	-	5,903,594
Gain (loss) included in income	2,456,182	22,253,312	10,254,056	8,463,261	43,426,811
Foreign currency gain (loss) included in income	(5,666,150)	(10,423,094)	(6,985,777)	(8,567,954)	(31,642,975)
Purchases and transfers	105,764,786	8,319,683	25,122,898	23,410,448	162,617,815
Disposals, distributions and transfers	(26,266,007)	(4,602,715)	(35,490,850)	(1,243,951)	(67,603,523)
Net investment activity within investment manager	(19,856,696)	(6,773,012)	(22,995,449)	(10,461,518)	(60,086,675)
Balance, end of year	$ 302,406,050	$ 274,872,611	$ 142,270,312	$ 223,107,929	$ 942,656,902

12. Financial instruments (continued):

(a) Fair values (continued):

2018	Alternative fixed income	Infrastructure	Private Equities	Real estate	Total
Balance, beginning of year	$ 211,584,813	$ 185,265,278	$ 183,789,207	$ 186,263,662	$ 766,902,960
Change in cash balance held with investment managers	(950,010)	(19,725)	(929)	-	(970,664)
Gain (loss) included in income	2,744,096	13,152,970	(19,377,150)	2,144,776	(1,335,308)
Foreign currency gain (loss) included in income	3,021,052	15,554,925	11,428,470	13,216,256	43,220,703
Purchases and transfers	129,462,791	61,193,745	58,738,044	64,954,503	314,349,083
Disposals, distributions and transfers	(79,218,748)	(5,608,406)	(28,281,863)	(37,685,968)	(150,794,985)
Net investment activity within investment manager	(20,891,430)	(3,454,976)	(39,597,942)	(17,385,586)	(81,329,934)
Balance, end of year	$ 245,752,564	$ 266,083,811	$ 166,697,837	$ 211,507,643	$ 890,041,855

(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 Pension Fund through construction of a diversified portfolio of instruments traded on various markets and across various industries.

12. Financial instruments (continued):

(b) Associated risks:

(i) Market price risk (continued):

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 $81,764,130 (2018 - $68,732,366).

(iii) Liquidity risk:

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

Approximately 55.2% (2018 – 53.8%) of the Pension Fund's investments are in securities traded in public markets. These include Canadian and non-Canadian equity, which is approximately 38.5% (2018 – 35.9%) 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, 2019, the Pension Fund had cash and cash equivalents in its operating and investing bank accounts in the amount of $36,853,880 (2018 - $33,637,482) and held with its investment managers in the amount of $4,915,653 (2018 - $3,279,635).

(iv) 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 holds financial instruments denominated in currencies other than the Canadian dollar. 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.

12. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Foreign currency risk (continued):

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 42.3% (2018 – 41.4%), or $896,614,965 (2018 - $791,802,905) of the Pension Fund's financial instruments are denominated in currencies other than the Canadian dollar.

The following table summarizes the Pension Fund's 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:

	2019 Fair Value	Sensitivity	2018 Fair Value	Sensitivity
Currency:				
US dollar	$ 812,167,527	$ (81,216,753)	$ 751,065,230	$ (75,106,523)
British pound	46,569,261	(4,656,926)	40,737,675	(4,073,768)
Euro	37,878,177	(3,787,818)	-	-
Total	$ 896,614,965	$ (89,661,497)	$ 791,802,905	$ (79,180,291)

The Pension Fund partially hedges its foreign currency exposure for investments denominated in a currency other than Canadian dollars through the use of certain derivatives including foreign exchange forward and swap transactions.

(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.

12. Financial instruments (continued):

(b) Associated risks (continued):

(v) Credit risk (continued):

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. The SIPP restriction prohibits directly or indirectly investing more than 25% of assets in any one entity. Furthermore, the SIPP 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 2019 or 2018. The maximum credit risk exposure as at December 31, 2019 is $654,679,899 (2018 - $586,993,713), comprised of contributions receivable and accounts receivable of $2,174,133 (2018 - $2,133,378) and fixed income securities and alternative fixed income of $652,505,766 (2018 - $584,860,335).

(vi) 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.

13. Subsequent event:

The fair value of the Pension Fund's investments is subject to significant market price risk due to the current economic crisis stemming from the global pandemic COVID-19 virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Pension Fund is not fully known at this time. These impact could include market related losses in the Pension Fund's investments and decreases in investment and other income, changes in pension obligations and potential changes in required contributions to the Pension Fund.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

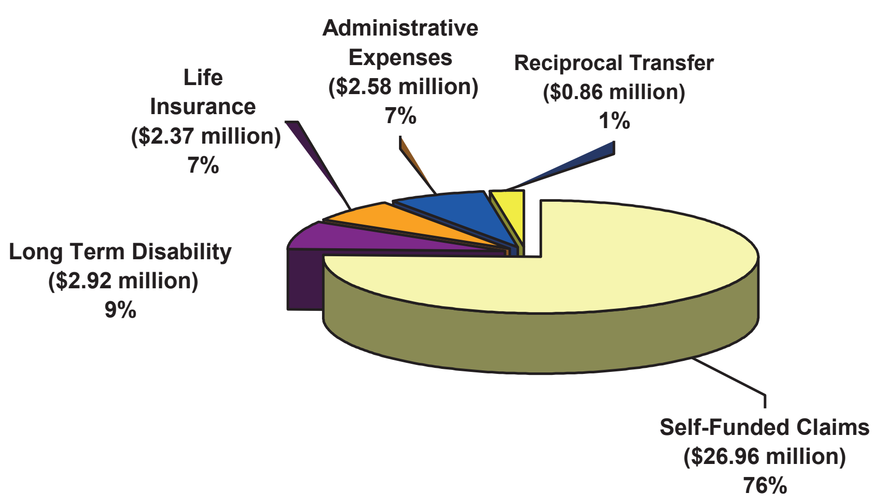
HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

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 also 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.

During the year ended December 31, 2019, on average, the Plan provided benefits to 6,000 active Members; 1,396 retired Members; 173 disabled Members and 441 widows of Members. The Plan also provided 141 Members with benefits under the self-payment program.

The Trustees have the sustainable long term funding of the Plan as an important objective. The Plan is financed under several funding arrangements including insurance policies underwritten by Canada Life for the life, accidental death & dismemberment and long term disability benefits and, as of January 1, 2020, out of country emergency travel assistance. The Plan's medical, dental, vision care and short term 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 2019 total Fund expenses were $35.69 million of which $26.96 million was to pay the claims for eligible health, dental, short term disability, vision care, out of country and employee assistance benefits (self-funded claims) for Members and their families. This chart below illustrates the Fund expenses in Fiscal 2019:



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 several Plan changes as at January 1, 2020. As noted earlier in this Report, all Plan Members were notified of these changes in October, 2019. A copy of the Notification is posted on the Plan's website, ***www.epibenefitplans.com***

It is important to note that the plan of benefits as at January 1, 2020 are based on an assumed hourly contribution rate of $2.40 (currently $2.04 per hour). The Trustees have communicated the required contribution rate to the Union.

The Trustees strive to provide the best possible health care benefits to the Members. In addition, 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 EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

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

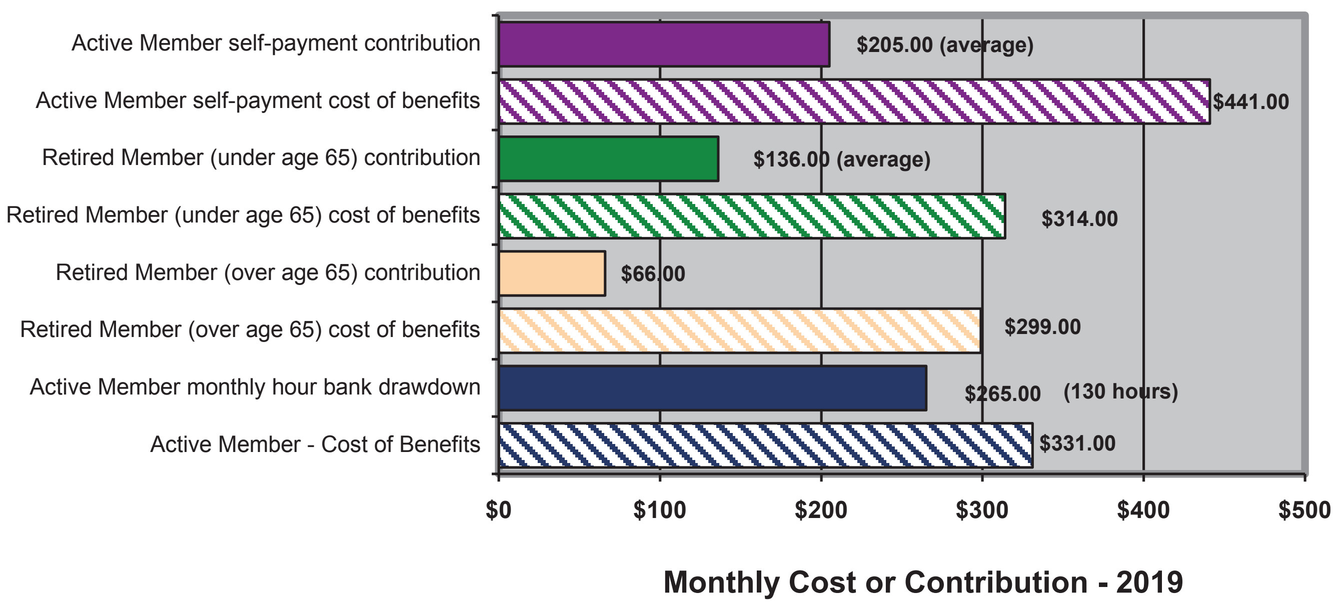
Funding of Welfare Plan Benefits

At December 31, 2019 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.

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. Members should carefully review the new eligibility and costs associated with the Retiree benefits program which will come into effect with retirements on or after January 1, 2020.

After the Fund had set aside sufficient funds to cover its defined reserves, the Fund held unallocated net assets available for benefits of $70.4 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, 2019.



THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

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

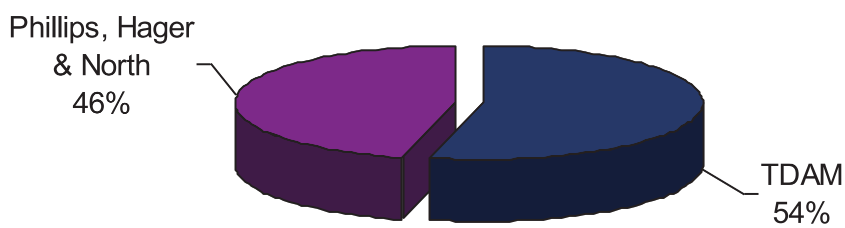
The chart below shows how the average monthly cost of benefits has changed comparing 2018 to 2019:

Classification	Fiscal 2019 Average Monthly Cost of Benefits	Fiscal 2018 Average Monthly Cost of Benefits	Change in Cost of Benefits 2018 to 2019
Active Members using self-payment	$441.00	$418.00	+5.5%
Retired Members under age 65	$314.00	$330.00	-4.8%
Retired Members over age 65	$299.00	$302.00	-1.0%
Active Members	$331.00	$298.00	+11.0%

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 $12.55 million in Fiscal 2019 ($1.24 million in Fiscal 2018). At December 31, 2019, the assets managed by TD Asset Management (TDAM) had a market value of $62.02 million. This investment is comprised of Canadian and Global equities held in pooled funds. The Fund also has an investment of $52.70 million managed by Phillips, Hager & North. This investment is in short term bonds, mortgage funds and mortgage pension trusts which address the Fund's need for security of capital and liquidity. A snapshot of where the Fund's assets are invested at December 31, 2019 is as shown in the graph below:



Financial Statements of

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of The Edmonton Pipe Industry Health and Welfare Fund (the Entity), which comprise:

- the statement of net assets available for benefits as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Entity as at December 31, 2019 and its changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2019 - Annual Report".

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2019 - Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
May 13, 2020

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND
Financial Statements

Year ended December 31, 2019

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Net Assets Available for Benefits

December 31, 2019, with comparative information for 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 4,724,934	$ 4,424,012
Investments (note 4)	114,725,706	114,357,299
Contributions receivable	1,735,279	1,962,155
Accrued investment income	11,107	5,210
Prepaid expenses and deposits	2,422,998	2,421,976
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	2,894	3,855
	123,622,918	123,174,507
LIABILITIES		
Accounts payable and accrued liabilities	3,052,751	2,678,576
Amounts due to other health and welfare funds (note 6)	248,356	73,518
Provision for unpaid claims	1,086,020	1,510,082
Provision for advance contributions	41,048	35,295
	4,428,175	4,297,471
Net assets available for benefits (note 7)	$ 119,194,743	$ 118,877,036

Subsequent event (note 12)

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, 2019, with comparative information for 2018

	2019	2018
Increase in net assets:		
Investment and other income, net (note 8)	$ 12,551,262	$ 1,238,109
Employer contributions	17,690,600	20,871,511
Members' and pensioners' cash contributions	1,724,749	1,547,279
Members' optional insurance contributions	48,728	45,721
Reciprocal transfers from other health and welfare funds (note 6)	1,385,717	1,543,816
Transfers from the Alberta Refrigeration Industry Health and Welfare Trust Fund	2,182,766	2,355,982
Decrease in provision for unpaid claims	424,062	58,216
	36,007,884	27,660,634
Decrease in net assets:		
Health, dental, vision and short-term disability claims	26,429,111	28,765,726
Long-term disability premiums	2,915,545	2,504,340
Life insurance premiums	2,025,644	3,272,489
Accidental death and dismemberment premiums	298,017	408,386
Claims administration fees	1,359,638	1,284,486
Employee assistance program	385,223	336,317
Out-of-country insurance claims	148,158	474,758
Members' optional life insurance premiums	47,309	46,866
Reciprocal transfers to other health and welfare funds (note 6)	858,782	1,206,177
Investment manager and custodian fees	299,926	310,086
Administrative expenses (note 9)	922,824	779,793
	35,690,177	39,389,424
Increase (decrease) in net assets available for benefits	317,707	(11,728,790)
Net assets available for benefits, beginning of year	118,877,036	130,605,826
Net assets available for benefits, end of year	$ 119,194,743	$ 118,877,036

See accompanying notes to financial statements.

1. Nature of The Edmonton Pipe Industry Health and Welfare 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, 2019. The Health and Welfare Plan was further amended effective January 1, 2020. 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") which expired on April 30, 2019. An updated Collective Agreement is currently under negotiation.

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.

Up to and including the year ended December 31, 2015, the Union sponsored two separate health and welfare plans: The Edmonton Pipe Industry Health and Welfare Plan and the Alberta Refrigeration Industry Benefit Plan. Effective May 1, 2016, the two plans sponsored by the Union amalgamated and all members of both plans now obtain their benefits through The Edmonton Pipe Industry Health and Welfare Fund. The Edmonton Pipe Industry Health and Welfare Fund invoices, on a monthly basis, the Alberta Refrigeration Industry Benefit Plan for the costs of claims for the former Alberta Refrigeration Benefit Plan members until the Alberta Refrigeration Industry Benefit Plan’s net assets are fully expended. After those net assets have been fully exhausted The Edmonton Pipe Industry Health and Welfare Fund will assume liability for all costs and expenses related to the former Alberta Refrigeration Benefit Plan members.

The following is a brief summary of the main benefits of the Health and Welfare Plan in effect at December 31, 2019. For more complete information, reference should be made to the Health and Welfare Trust Agreement, and the Health and Welfare Plan documents.

(a) health, dental, short-term disability and out-of-country benefits are funded solely by the assets of the Health and Welfare Fund. (effective January 1, 2020 out-of-country benefits are insured);

(b) long-term disability, accidental death and dismemberment, and optional life insurance benefits are provided by Canada Life or Chubb Limited (effective July 1, 2019 for accidental death and dismemberment) under a contract of insurance which uses a pooled funding method;

1. Nature of The Edmonton Pipe Industry Health and Welfare Fund (continued):

(c) member and dependent life insurance benefits are provided under contract with Canada Life. 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 benefit is arranged through a contract with Global Excel. (effective January 1, 2020, out-of-country benefits are provided by RSA Canada); and

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

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

The Board of Trustees have engaged McAteer – Employment Benefit Plan Services Limited as administration services provider for the Health and Welfare Fund.

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 net assets available for benefits of the Health and Welfare Fund.

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 investments and derivative financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

2. Basis of preparation (continued):

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the financial statements 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 net assets available for benefits and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

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

3. Significant accounting policies:

These financial statements have been prepared in accordance with the significant accounting policies set out below:

(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 (losses) on investments.

(b) Income recognition:

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

3. Significant accounting policies (continued):

(c) Financial assets and financial liabilities:

(i) 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. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

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 (loss) on sale of investments.

(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 expired.

(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.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits 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.

3. Significant accounting policies (continued):

(d) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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.

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 (losses) on investments.

Fair values of investments are determined as follows:

Cash and cash equivalents are stated at cost, which together with accrued investment income approximates fair value given the short term nature of these investments.

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

3. Significant accounting policies (continued):

(e) Net realized gain on sale of investments:

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

(f) Common expenses:

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

(g) Income taxes:

The Health and Welfare Fund is a trust recognized administratively by the Canada Revenue Agency. In 2019, the Health and Welfare Fund was converted to an Employee Life and Health Trust.

Investment income earned by the Health and Welfare Fund, net of eligible deductions, is subject to income taxes.

4. Investments:

	2019	2018
Phillips, Hager & North Short Term Bond and Mortgage Fund	$ 25,651,555	$ 24,864,799
Phillips, Hager & North Mortgage Pension Trust	27,050,877	32,150,830
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	30,701,303	28,574,689
TD Emerald Low Volatility Global Equity Pooled Fund Trust	31,321,971	28,766,981
	$ 114,725,706	$ 114,357,299

The Health and Welfare Fund has committed to make an investment of $7,500,000 US in Northleaf Capital Partners subsequent to December 31, 2019.

5. Due from The Edmonton Pipe Industry Pension Trust Fund:

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

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:

	2019	2018
Reserve for future plan benefits	$ 44,833,336	$ 56,105,378
Reserve for adverse claims fluctuations	3,962,692	4,314,858
Unallocated	70,398,715	58,456,800
	$ 119,194,743	$ 118,877,036

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, 2019 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 spouses of deceased members, an estimated provision based on (i) the average monthly actual cost of benefits for such group of persons for the 12 months ended December 31, 2019 multiplied by (ii) 60 months.

The reserve for adverse claims fluctuations was established by the Trustees to consider the risk that future claims in the aggregate will be higher than the amount supported by current funding rates. The reserve for adverse claims fluctuations has been established at approximately 15% of benefit claims paid in the most recent fiscal year.

8. Investment and other income, net:

		2019		2018
Interest and other income	$	126,380	$	109,077
Phillips, Hager & North Short Term Bond and Mortgage Fund and Mortgage Pension Trust - interest and realized capital gains		1,647,690		864,416
TD Emerald Low Volatility Canadian Equity and Global Equity Pooled Fund Trusts - dividends and net realized gains		3,824,881		3,836,712
Change in net unrealized gains (losses) on investments		6,952,311		(3,572,096)
	$	12,551,262	$	1,238,109

9. Administrative expenses:

		2019		2018
Direct expenses:				
Administration services provider fees	$	462,866	$	449,621
Consulting fees		88,455		21,000
Non-deductible GST and HST		46,072		40,564
Independent trustees fees		38,000		38,000
Audit		33,955		34,504
Insurance		27,143		26,625
Office expenses		17,901		5,236
Bank charges		17,764		17,334
Legal		16,806		704
Computer maintenance		15,650		6,900
		764,612		640,488
Common expenses shared equally with the Pension Trust Fund (note 3(f)):				
Rent		121,840		121,840
Office expenses		82,609		83,046
Postage		45,844		23,322
Travel, conferences and meeting expenses		24,435		9,680
Annual report to members		22,900		21,878
Non-deductible GST and HST		13,963		12,732
Other shared expenses		4,834		6,112
		316,425		278,610
Less Pension Trust Fund share		(158,213)		(139,305)
		158,212		139,305
	$	922,824	$	779,793

9. Administrative expenses (continued):

The Health and Welfare Fund defines its key management personnel as members of the Board of Trustees and its administration services provider who are responsible for planning, controlling and directing the activities of the Health and Welfare Fund.

10. Capital risk management:

The capital of the Health and Welfare Fund is represented by the net assets available for benefits. The main objective of the Health and Welfare Fund is to sustain a certain level of net assets in order to meet the health and welfare obligations of the Health and Welfare Plan, which are not presented or discussed in these financial statements.

The Health and Welfare Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the “SIPP”), which is reviewed annually by the Health and Welfare Fund Trustees. The SIPP was established on May 27, 2015 and was last amended on December 12, 2019.

The SIPP permits four broad categories of assets. The Health and Welfare Fund's investment was allocated within the allowed asset categories range, as of the date of The Health and Welfare Fund's financial statements. The following tables present the asset allocation for each asset category and total investments, along with appropriate benchmarks, based on the SIPP in effect at the end of December 31, 2019 and December 31, 2018.

2019	Benchmark	Target Range (%)	Actual (%)
Short Term Fixed Income	FTSE Canada Short Term Bond Index	10.0 - 40.0	22.4
Mortgages	FTSE TMX Canada Short Term Bond Index	15.0 – 40.0	23.6
Alternative Fixed Income	FTSE Canada Universe Bond Index	0.0 – 20.0	0.0
Canadian Equity	S&P TSX Composite	0.0 – 50.0	26.7
Global Equity	MSCI World Index	0.0 – 50.0	27.3
Real Estate	Canadian CPI + 5%	0.0 – 20.0	0.0
Total investments		100.0	100.0

10. Capital risk management (continued):

2018	Benchmark	Target Range (%)	Actual (%)
Short Term Bonds	FTSE Canada Short Term Bond Index	20.0 - 50.0	28.1
Mortgages	FTSE TMX Canada Short Term Bond Index	20.0 – 50.0	21.7
Canadian Equity	S&P TSX Composite	0.0 – 50.0	25.0
Global Equity	MSCI World Index	0.0 – 50.0	25.2
Total investments		100.0	100.0

The Health and Welfare Fund's investments are within the asset allocation target ranges as at December 31, 2019 and 2018.

The Health and Welfare Fund's investment positions expose it to a variety of financial risks which are discussed in note 11. 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 (current year's employer contributions) in accordance with the approved SIPP. The allocation of assets among various asset categories is monitored by The Health and Welfare Fund Trustees on a monthly basis. A comprehensive review is conducted quarterly, which includes measurement of returns, comparison of returns to appropriate benchmarks, ranking of returns and risk analysis.

Increases (decreases) 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:

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

11. Financial instruments (continued):

(a) Fair values (continued):

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

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

The following table illustrates the classification of the Health and Welfare Fund's financial instruments using the fair value hierarchy as at December 31:

December 31, 2019	Level 1	Level 2	Level 3	Total
Phillips, Hager & North Short Term Bond and Mortgage Fund	$ -	$ 25,651,555	$ -	$ 25,651,555
Phillips, Hager & North Mortgage Pension Trust	-	27,050,877	-	27,050,877
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	-	30,701,303	-	30,701,303
TD Emerald Low Volatility Global Equity Pooled Fund Trust	-	31,321,971	-	31,321,971
	$ -	$ 114,725,706	$ -	$ 114,725,706

11. Financial instruments (continued):

(a) Fair values (continued):

December 31, 2018	Level 1	Level 2	Level 3	Total
Phillips, Hager & North Short Term Bond and Mortgage Fund	$ -	$ 24,864,799	$ -	$ 24,864,799
Phillips, Hager & North Mortgage Pension Trust	-	32,150,830	-	32,150,830
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	-	28,574,689	-	28,574,689
TD Emerald Low Volatility Global Equity Pooled Fund Trust	-	28,766,981	-	28,766,981
	$ -	$ 114,357,299	$ -	$ 114,357,299

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2019 and 2018.

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.

(ii) Liquidity risk:

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

The Health and Welfare Fund maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2019, the Health and Welfare Fund had cash and cash equivalents on hand in the amount of $4,724,934 (2018 - $4,424,012).

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Health and Welfare Fund holds financial instruments denominated in currencies other than the Canadian dollar. Consequently, the Health and Welfare 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 Health and Welfare Fund's assets or liabilities denominated in currencies other than the Canadian dollar. 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):

(iv) Credit risk:

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

The Health and Welfare Fund’s fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. The SIPP restriction prohibits directly or indirectly investing more than 10% of assets in any one entity. Furthermore, the SIPP 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 2019 or 2018.

(v) Interest rate risk:

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

12. Subsequent event:

The fair value of the Health and Welfare Fund's investments is subject to significant market price risk due to the current economic crisis stemming from the global pandemic COVID-19 virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Health and Welfare Fund is not fully known at this time. These impacts could include market related losses in the Health and Welfare Fund’s investments and decreases in investment and other income, changes in contributions and changes in claims and other costs.