

Financial Statements of

**THE EDMONTON PIPE INDUSTRY  
PENSION TRUST FUND**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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## INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s 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 auditor’s report thereon, included in a document likely to be entitled the “2022 - 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 auditor's report thereon, included in a document likely to be entitled the "2022 - Annual Report" is expected to be made available to us after the date of this auditor's 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 auditor's 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.

### ***Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants

Edmonton, Canada

May 11, 2023

# **THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND**

## Financial Statements

Year ended December 31, 2022

Statement of Financial Position	1
Statement of Changes in Net Assets Available for Benefits	2
Statement of Changes in Pension Obligation	3
Notes to Financial Statements	4

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,676,025	\$ 9,698,991
Investments (note 4)	2,449,169,835	2,519,254,707
Contributions receivable	2,485,580	1,976,843
Accounts receivable	176,297	103,442
Prepaid expenses and deposits	30,365	25,701
	<u>2,476,538,102</u>	<u>2,531,059,684</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,698,823	1,977,868
Amounts due to other pension funds (note 5)	124,569	72,659
Due to The Edmonton Pipe Industry Health and Welfare Fund (note 6)	50,980	3,214
	<u>1,874,372</u>	<u>2,053,741</u>
Net assets available for benefits	2,474,663,730	2,529,005,943
Pension obligation (note 7)	1,529,034,000	1,801,692,000
Accumulated surplus	<u>\$ 945,629,730</u>	<u>\$ 727,313,943</u>

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, 2022, with comparative information for 2021

	2022	2021
Increase in net assets:		
Investment and other income, net (note 8)	\$ 81,176,384	\$ 79,439,450
Change in fair value (note 8):		
Net realized gains	35,232,844	102,395,458
Change in net unrealized gains	-	156,011,183
Employer contributions (note 9)	31,322,415	31,905,026
Pension credits and reciprocal transfers in	4,046,541	1,445,474
	<u>151,778,184</u>	<u>371,196,591</u>
Decrease in net assets:		
Benefit payments:		
Retirement	74,026,177	65,999,040
Transfers and lump sum payments	14,279,930	18,034,934
Death benefits	1,210,433	1,397,763
Pension credits and reciprocal transfers out	930,026	952,215
Change in fair value (note 8):		
Change in net unrealized losses	86,426,823	-
Investment manager and custodian fees and carried interest	27,716,475	32,116,769
Administrative expenses (note 10)	1,530,533	1,361,058
	<u>206,120,397</u>	<u>119,861,779</u>
(Decrease) increase in net assets available for benefits	(54,342,213)	251,334,812
Net assets available for benefits, beginning of year	2,529,005,943	2,277,671,131
Net assets available for benefits, end of year	<u>\$ 2,474,663,730</u>	<u>\$ 2,529,005,943</u>

See accompanying notes to financial statements.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

## Statement of Changes in Pension Obligation

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Pension obligation, beginning of year	\$ 1,801,692,000	\$ 1,698,179,000
Impact of assumption changes - beginning of year	-	(261,869,000)
Benefit improvement, effective January 1 <sup>st</sup>	59,102,000	34,130,000
	<u>1,860,794,000</u>	<u>1,470,440,000</u>
Benefits accumulated	24,629,000	24,876,000
Pension credits and reciprocal transfers in	4,047,000	1,445,000
Reciprocal transfers out	(41,000)	(118,000)
Benefits paid	(89,517,000)	(85,432,000)
Interest	82,158,000	78,381,000
Impact of assumption changes - end of year	(174,266,000)	(79,212,000)
Net experience losses (gains) - end of year	<u>12,897,000</u>	<u>(7,724,000)</u>
Pension obligation before provision for adverse deviation	1,321,665,000	1,402,656,000
Provision for adverse deviation	207,369,000	399,036,000
Pension obligation, end of year	<u>\$ 1,529,034,000</u>	<u>\$ 1,801,692,000</u>

See accompanying notes to financial statements.



# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements

Year ended December 31, 2022

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## 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"). These financial statements reflect all amendments and restatements to the Pension Plan Text effective January 1, 2022.

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 and a new Collective Agreement was signed on November 20, 2022 and is effective until April 30, 2025.

The following is a brief summary of the main provisions of the Plan in effect at December 31, 2022. 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. Effective January 1, 2022, for each full 100 covered hours, a member earns a monthly pension benefit of \$5.00 for service on or after January 1, 2022.

In addition, effective January 1, 2022, the Trustees amended the Plan to include a 5% increase to pensions in payment and accrued pensions for active members in good standing effective December 31, 2022.

### (c) Contributions:

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

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

### (d) Retirement dates:

#### (i) Normal retirement date:

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

#### (ii) Early retirement date:

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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

### (e) Retirement benefits (continued):

#### (iii) Postponed retirement pension:

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

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

### (f) Survivor benefits:

#### (i) Death prior to receipt of a pension:

If a member not in receipt of a pension dies after accruing a vested pension, their surviving spouse shall receive an immediate lifetime pension. The amount of monthly pension payable to them is the lesser of the amount of the monthly pension earned by the member prior to their death or 66-2/3% of their earned pension plus the amount they would have earned had they worked to age 65, subject to the minimum standards under the Employment Pension Plans Act. In lieu of a monthly pension, the surviving spouse may elect to receive a commuted value equal to the deceased members termination benefit calculated as if the member had terminated at their date of death.

No death benefit is payable in respect of any accrued pension which was not vested in the member at the time of their death. Benefits earned prior to October 1, 1999 vest after the member completes five years of vesting service. Benefits earned after September 30, 1999 vest after the member completes two years of vesting service. Benefits earned on or after September 1, 2014 are immediately vested.

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

#### (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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

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

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

### (g) Termination benefits:

A member terminating membership in the Plan after seven years of vesting service is entitled to receive a deferred pension from the Plan. A member terminating membership in the Plan after five years of vesting service is entitled to a deferred pension from the Plan in respect of their credited service after October 1, 1986. A member terminating their membership in the Plan after two years of vesting service is entitled to a deferred pension from the Plan in respect of their credited service after October 1, 1999. 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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

### (h) Disability:

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

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

### (i) Post retirement benefits for retired members:

An amendment to the Plan was approved by the Trustees on September 7, 2007, effective January 1, 2007, to permit contributions for retired members under age 71 returning to work with a contributing employer to accrue for the benefit of the retired member. The contributions received by the Pension Fund, for work periods after the retired members' initial retirement date, are held with the general assets of the Pension Fund and are immediately vested. For work periods after the retired member's initial retirement date and prior to October 1, 2009, the entire employer contribution accrues for the benefit of the retired member. For work periods after the retired member's initial retirement date and 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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 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 obligation, 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 Chartered Professional Accountants' of Canada ("CPA") Handbook - Accounting or Canadian accounting standards for private enterprises in Part II of the CPA 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.

The financial statements were authorized for issue by the Board of Trustees on May 10, 2023.

### (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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 2. Basis of preparation:

(d) Use of estimates and judgments (continued):

Measurement uncertainty exists in the valuation of the pension obligation 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 obligation 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 obligation 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 obligation of the Plan are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in change in fair value 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 are recognized in the statement of changes in net assets available for benefits as part of change in fair value.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 3. Significant accounting policies:

### (b) Income recognition:

Investment and other 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 in change in fair value.

#### (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.



# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 3. Significant accounting policies (continued):

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

#### (iii) Derivative financial instruments (continued):

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 required by Section 4600. As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Pension Fund uses closing market price as a practical expedient for fair value measurement.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

All changes in net unrealized gains (losses) are recognized in the statement of changes in net assets available for benefits as part of change in fair value.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

(d) Fair value measurement (continued):

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.

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 gains (losses):

Net realized gains (losses) are the difference between proceeds received and the average cost of investments sold and are recognized in the statement of changes in net assets available for benefits as part of change in fair value.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

(f) Pension obligation:

The value of the pension obligation is determined based on actuarial valuations prepared by an independent actuarial firm. Actuarial valuations are prepared regularly 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 obligation using management's assumptions and the unit credit actuarial cost method assuming the Plan is maintained indefinitely.

(g) Fund expenses:

Investment manager and custodian fees and carried interest and other direct expenses are recognized on an accrual basis in the statement of changes in net assets available for benefits.

Certain other common expenses are allocated 60% to the Pension Fund and 40% to 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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 4. Investments:

	2022	2021
By investment manager:		
Direct investments:		
CIBC Mellon and RBC Royal Bank	\$ 28,215,483	\$ 33,711,291
Letko, Brosseau & Associates Inc.	78,109,438	101,782,872
	<u>106,324,921</u>	<u>135,494,163</u>
Pooled funds:		
Morgan Stanley Investment Management	307,150,993	344,086,738
Phillips, Hager & North Investment Management Ltd.	280,695,411	349,808,860
Connor, Clark & Lunn Investment Management Ltd.	180,824,745	192,882,288
Orbis Institutional Global Equity	179,903,918	217,463,803
QV Investors Inc.	161,641,914	167,140,508
	<u>1,110,216,981</u>	<u>1,271,382,197</u>
Alternative fixed income:		
Northleaf Capital Partners, including transfers in transit	101,597,122	72,360,136
White Oak Global Advisors	78,182,476	86,289,089
Neuberger Berman Investment Advisors LLC	67,196,666	57,827,174
Trez Capital Yield Trust	60,422,625	60,121,454
MGG Investment Group LP	45,231,076	8,628,403
DRC European Real Estate Debt Fund	20,421,682	29,017,403
Brookfield Asset Management Inc.	19,971,713	23,703,161
Trez Capital Finance LP	7,319,837	12,913,223
Marathon Asset Management	589,148	2,109,004
Wellington Financial LP	217,771	509,235
	<u>401,150,116</u>	<u>353,478,282</u>
Infrastructure:		
Macquarie Infrastructure Partners Inc.	97,695,802	84,079,149
Brookfield Asset Management Inc.	82,363,462	82,851,191
IFM Global Infrastructure Fund	47,816,029	43,529,041
JP Morgan Infrastructure Investments Fund	43,619,976	41,844,669
Infracapital	8,921,233	6,873,502
	<u>280,416,502</u>	<u>259,177,552</u>

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 4. Investments (continued):

	2022	2021
By investment manager (continued):		
Private equities:		
Northleaf Capital Partners	77,798,670	48,565,717
Brookfield Asset Management Inc.	64,820,147	57,419,216
Clairvest Equity Partners	46,980,987	57,513,552
Cyprium Capital Partners	44,946,419	35,718,794
MB Global Partners	18,132,879	16,112,072
Neuberger Berman Investment Advisors LLC	8,286,511	-
	<u>260,965,613</u>	<u>215,329,351</u>
Real estate:		
Brookfield Asset Management Inc.	173,549,607	165,539,920
Manulife Financial	64,646,245	60,525,067
CBRE Global Investors	48,801,712	46,898,498
	<u>286,997,564</u>	<u>272,963,485</u>
Derivative contracts:		
CIBC Capital Markets	3,098,138	11,429,677
	<u>3,098,138</u>	<u>11,429,677</u>
	<u>\$ 2,449,169,835</u>	<u>\$ 2,519,254,707</u>

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 4. Investments (continued):

	2022	%	2021	%
By asset class:				
Cash and short-term investments	\$ 28,893,844	1.2	\$ 40,466,003	1.6
Canadian equities and funds	419,285,245	17.1	455,035,061	18.1
Non-Canadian equity funds	487,667,402	19.9	561,566,436	22.3
Fixed income and pooled funds	280,695,411	11.5	349,808,860	13.9
Alternative fixed income	401,150,116	16.4	353,478,282	14.0
Infrastructure	280,416,502	11.4	259,177,552	10.3
Private equities	260,965,613	10.7	215,329,351	8.5
Real estate	286,997,564	11.7	272,963,485	10.8
Derivative contracts	3,098,138	0.1	11,429,677	0.5
	\$ 2,449,169,835	100.0	\$ 2,519,254,707	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	
	2022	2021	2022	2021
Foreign exchange contracts:				
US dollar	\$ 570,170,268	\$ 458,360,865	\$ 2,537,131	\$ 10,408,993
British pound	44,839,224	51,921,037	521,791	(23,653)
Euro	82,665,323	77,447,567	39,216	1,044,337
	\$ 697,674,815	\$ 587,729,469	\$ 3,098,138	\$ 11,429,677

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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 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 obligation:

The major assumptions used for financial statement reporting purposes to determine the pension obligation of the Plan, as approved by the Plan's Trustees, are as follows:

	2022	2021
Discount rate, beginning of year <sup>1</sup>	5.74%	5.44%
Discount rate, end of year	6.73%	5.74%
<i>Investment return - actual</i> <sup>2</sup>	0.09%	13.52%
Provision for adverse deviation, beginning of year	28.90%	31.15%
Provision for adverse deviation, end of year <sup>3</sup>	17.65%	28.90%
Hours worked - assumption	7,000,000	5,000,000
<i>Hours worked - actual</i>	6,696,288	4,757,863

The mortality table assumption used for 2022 and 2021 is 120% of the 2014 Private Sector Canadian Pensioners Mortality (CPM) table fully generational using scale CPM-B.

<sup>1</sup> In the prior year, the Plan's Trustees approved a change to measure the Plan's pension obligation using a best estimate discount rate vs. a benchmark discount rate which was used in prior years.

<sup>2</sup> Investment return represents investment and other income and change in fair value net of investment manager and custodian fees and carried interest.

<sup>3</sup> The provision for adverse deviation percentage is comprised of the target equity allocation of 14.20% (2021 - 14.20%) plus the excess over the benchmark discount rate of 3.45% (2021 - 14.70%).

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 7. Pension obligation (continued):

### 2022

An actuarial valuation of the pension obligation of the Plan was carried out by Mercer, the Plan's actuaries, at December 31, 2022 to determine funding requirements for the Plan.

The Plan's actuaries updated the actuarial valuation of the pension obligation of the Plan based on membership data at December 31, 2022 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, 2022 actuarial valuation for funding purposes, and this updated information was used to calculate the Plan's pension obligation for financial statement reporting purposes in the current year.

The assumptions used for financial statement reporting purposes at December 31, 2022 are unchanged from those included in the actuarial valuation for funding purposes at December 31, 2021, except for the discount rate which has been updated to reflect market conditions at December 31, 2022 and adjusting the number of hours worked - assumption from 5,000,000 to 7,000,000.

### 2021

An actuarial valuation of the pension obligation of the Plan was carried out by Mercer, the Plan's actuaries, at December 31, 2020 to determine funding requirements for the Plan.

The Plan's actuaries updated the actuarial valuation of the pension obligation of the Plan based on membership data at December 31, 2021 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, 2021 actuarial valuation for funding purposes, and this updated information was used to calculate the Plan's pension obligation for financial statement reporting purposes in the prior year.

The assumptions used for financial statement reporting purposes at December 31, 2021 are unchanged from those included in the actuarial valuation for funding purposes at December 31, 2020, except for the discount rate which has been updated to reflect market conditions at December 31, 2021 and adjusting the number of hours worked - assumption from 3,000,000 to 5,000,000.

The impacts of the changes to measure the Plan's pension obligation using a best estimate discount rate vs. a benchmark discount rate and 5% retroactive benefit improvement granted by the Plan's Trustees effective January 1, 2022 have been reflected at the beginning of the year.



# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 7. Pension obligation (continued):

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

	2022	2021
<b>Net assets available for benefits</b>	<b>\$ 2,474,663,730</b>	<b>\$ 2,529,005,943</b>
Actuarial present value of accrued benefits, excluding a provision for adverse deviation for:		
Active members	367,693,000	438,532,000
Pensioners and survivors	772,930,000	756,275,000
Disabled pensioners	41,745,000	53,489,000
Deferred pensioners	119,711,000	132,453,000
Defined contribution balances for active retired members	19,586,000	21,907,000
	<b>1,321,665,000</b>	<b>1,402,656,000</b>
<b>Funding excess as determined on a going concern basis</b>	<b>\$ 1,152,998,730</b>	<b>\$ 1,126,349,943</b>
<b>Funded ratio</b>	<b>187%</b>	<b>180%</b>

The next actuarial valuation of the Pension Fund must be carried out no later than December 31, 2025. Any differences between the actuarial valuation results and the results as reported in these financial statements that affect the financial position of the Pension Fund will be accounted for as gains or losses in the following year.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 8. Investment and other income and change in fair value:

2022	Investment and other income	Net realized gains (losses)	Change in net unrealized gains (losses)	Total
Cash and short term investments	\$ 585,569	\$ 4,800	\$ 27,570	\$ 617,939
Canadian equities	15,608,119	39,375,987	(59,565,561)	(4,581,455)
Non-Canadian equities	4,350,846	19,998,710	(74,380,485)	(50,030,929)
Fixed income securities	3,110,186	(37,417,307)	(34,722,747)	(69,029,868)
Alternative fixed income	18,216,690	7,076,305	12,538,015	37,831,010
Infrastructure	19,346,254	3,980,789	31,329,020	54,656,063
Private equities	13,581,117	12,296,445	27,815,559	53,693,121
Real estate	6,377,603	14,560,483	18,863,345	39,801,431
Derivative contracts	-	(24,643,368)	(8,331,539)	(32,974,907)
	<b>\$ 81,176,384</b>	<b>\$ 35,232,844</b>	<b>\$ (86,426,823)</b>	<b>\$ 29,982,405</b>

  

2021	Investment and other income	Net realized gains (losses)	Change in net unrealized gains (losses)	Total
Cash and short term investments	\$ 152,498	\$ 38,400	\$ (248,813)	\$ (57,915)
Canadian equities	12,774,973	41,789,933	50,788,021	105,352,927
Non-Canadian equities	4,402,370	12,869,241	62,490,786	79,762,397
Fixed income securities	9,783,216	1,101,984	(22,854,507)	(11,969,307)
Alternative fixed income	21,590,045	183,743	(4,791,816)	16,981,972
Infrastructure	8,431,345	13,477,950	6,883,812	28,793,107
Private equities	16,226,672	20,942,927	18,224,875	55,394,474
Real estate	6,078,331	9,112,295	37,507,731	52,698,357
Derivative contracts	-	2,878,985	8,011,094	10,890,079
	<b>\$ 79,439,450</b>	<b>\$ 102,395,458</b>	<b>\$ 156,011,183</b>	<b>\$ 337,846,091</b>

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 9. Employer contributions:

Commencing November 4, 2012, contributions were made by employers at a negotiated rate of \$6.61 per hour. Under the terms of the new Collective Agreement signed in the current year the negotiated contribution rate was changed to \$6.60 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:

	2022	2021
Current service cost	\$ 3.958	\$ 5.695
Provision for adverse deviation	1.063	1.629
Total minimum required contribution rate	5.021	7.324
Average negotiated contribution rate	6.600	6.610
Net margin in contribution rate	\$ 1.579	\$ (0.714)

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 10. Administrative expenses:

Effective January 1, 2022, common expenses are allocated 60% to the Pension Fund and 40% to the Health and Welfare Fund (2021 – 50% to the Pension Fund and 50% to the Health and Welfare Fund).

	2022	2021
Direct expenses:		
Administration services provider fees	\$ 672,813	\$ 522,003
Actuarial and consulting fees	159,720	183,800
Investment consulting fees	170,680	171,100
Audit	94,286	88,834
Independent trustees' fees	77,350	77,000
Non-deductible GST and HST	60,565	54,547
Legal	34,189	46,802
Insurance	25,515	24,300
Registration	27,368	19,964
Member locating service fees	3,675	12,705
Other expenses	12,879	6,499
	1,339,040	1,207,554
Common expenses shared with the Health and Welfare Fund (note 3(g)):		
Rent	121,840	121,840
Office expenses	94,788	86,246
Postage	41,008	50,309
Annual report to members	22,488	26,780
Travel, conferences and meeting expenses	20,148	2,500
Non-deductible GST and HST	14,503	14,313
Other shared expenses	3,730	4,270
Insurance	750	750
	319,255	307,008
Less Health and Welfare Fund share	(127,702)	(153,504)
	191,553	153,504
	\$ 1,530,533	\$ 1,361,058

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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 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 obligation of the Pension Fund.

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 was established on February 11, 2000 and was last amended on December 15, 2022.

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, 2022 and December 31, 2021:

2022	Benchmark	Target Range (%)	Actual (%)
Cash and short-term investments	91 Day Treasury Bill	0.0 - 4.0	1.2
Canadian equities	S&P TSX Composite BMO Small Cap Unweighted Blended Index	10.0 - 25.0	17.1
Non-Canadian equities	MSCI World Index	10.0 - 30.0	19.9
Fixed income securities	FTSE TMX Canada Long Term Bond Index	10.0 - 25.0	11.5
Alternative fixed income	FTSE TMX Canada Universe Term Bond Index	10.0 - 25.0	16.4
Infrastructure	Canadian CPI + 6%	5.0 - 15.0	11.4
Private equities	MSCI World Index	5.0 - 15.0	10.7
Real estate	Canadian CPI + 5%	5.0 - 15.0	11.8
<b>Total investments</b>		<b>100.0</b>	<b>100.0</b>

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 11. Capital risk management (continued):

2021	Benchmark	Target Range (%)	Actual (%)
Cash and short-term investments	91 Day Treasury Bill	0.0 - 4.0	1.6
Canadian equities	S&P TSX Composite BMO Small Cap Unweighted Blended Index	10.0 - 25.0	18.1
Non-Canadian equities	MSCI World Index	10.0 - 30.0	22.3
Fixed income securities	FTSE TMX Canada Long Term Bond Index	15.0 - 30.0	13.9
Alternative fixed income	FTSE TMX Canada Universe Term Bond Index	5.0 - 20.0	14.1
Infrastructure	Canadian CPI + 6%	5.0 - 15.0	10.5
Private equities	MSCI World Index	5.0 - 15.0	8.6
Real estate	Canadian CPI + 5%	5.0 - 12.5	10.9
<b>Total investments</b>		<b>100.0</b>	<b>100.0</b>

The Pension Fund's investment positions expose it to a variety of financial risks (see 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 available for benefits are a direct result of investment and other income and change in fair value 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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 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.

2022	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 28,215,483	\$ 678,361	\$ -	\$ 28,893,844
Canadian equities	76,818,586	342,466,659	-	419,285,245
Non-Canadian equities	612,490	487,054,912	-	487,667,402
Fixed income securities	-	280,695,411	-	280,695,411
Alternative fixed income	-	-	401,150,116	401,150,116
Infrastructure	-	-	280,416,502	280,416,502
Private equities	-	-	260,965,613	260,965,613
Real estate	-	-	286,997,564	286,997,564
Derivative contracts	-	3,098,138	-	3,098,138
	\$ 105,646,559	\$ 1,113,993,481	\$ 1,229,529,795	\$ 2,449,169,835

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 12. Financial instruments (continued):

(a) Fair values (continued):

2021	Level 1	Level 2	Level 3	Total
Cash and short term investments	\$ 33,711,191	\$ 6,754,812	\$ -	\$ 40,466,003
Canadian equities	95,012,264	360,022,797	-	455,035,061
Non-Canadian equities	15,895	561,550,541	-	561,566,436
Fixed income securities	-	349,808,860	-	349,808,860
Alternative fixed income	-	-	353,478,282	353,478,282
Infrastructure	-	-	259,177,552	259,177,552
Private equities	-	-	215,329,351	215,329,351
Real estate	-	-	272,963,485	272,963,485
Derivative contracts	-	11,429,677	-	11,429,677
	\$ 128,739,350	\$ 1,289,566,687	\$ 1,100,948,670	\$ 2,519,254,707

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

2022	Alternative fixed income	Infrastructure	Private equities	Real estate	Total
Balance, beginning of year	\$ 353,478,282	\$ 259,177,552	\$ 215,329,351	\$ 272,963,485	\$ 1,100,948,670
Purchases and transfers, net of disposals	14,020,475	(24,856,946)	(3,941,591)	(20,271,735)	(35,049,797)
Investment and other income	18,216,690	19,346,254	13,581,117	6,377,603	57,521,664
Net realized gains	7,076,305	3,980,789	12,296,445	14,560,483	37,914,022
Change in net unrealized gains	12,538,015	31,329,020	27,815,559	18,863,345	90,545,939
Investment manager and custodian fees and carried interest	(4,179,651)	(8,560,167)	(4,115,268)	(5,495,617)	(22,350,703)
Balance, end of year	\$ 401,150,116	\$ 280,416,502	\$ 260,965,613	\$ 286,997,564	\$ 1,229,529,795



# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 12. Financial instruments (continued):

### (a) Fair values (continued):

2021	Alternative fixed income	Infrastructure	Private equities	Real estate	Total
Balance, beginning of year	\$ 309,519,900	\$ 273,181,125	\$ 187,431,273	\$ 235,597,544	\$ 1,005,729,842
Purchases and transfers, net of disposals	31,892,146	(34,956,637)	(22,984,446)	(5,636,121)	(31,685,058)
Investment and other income	21,590,045	8,431,345	16,226,672	6,078,331	52,326,393
Net realized gains	183,743	13,477,950	20,942,927	9,112,295	43,716,915
Change in net unrealized gains (losses)	(4,791,816)	6,883,812	18,224,875	37,507,731	57,824,602
Investment manager and custodian fees and carried interest	(4,915,736)	(7,840,043)	(4,511,950)	(9,696,295)	(26,964,024)
<b>Balance, end of year</b>	<b>\$ 353,478,282</b>	<b>\$ 259,177,552</b>	<b>\$ 215,329,351</b>	<b>\$ 272,963,485</b>	<b>\$ 1,100,948,670</b>

### (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 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 a change in net assets available for benefits. 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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 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 \$90,695,265 (2021 - \$101,660,150).

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty under both normal and stressed conditions in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Approximately 49.7% (2021 – 55.9%) of the Pension Fund's investments are in securities traded in public markets. These include Canadian and non-Canadian equity, which is approximately 37.0% (2021 - 40.4%) 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, 2022, the Pension Fund had cash and cash equivalents in its operating and investing bank accounts in the amount of \$24,676,025 (2021 - \$9,698,991) and held with its investment managers in the amount of \$28,215,483 (2021 - \$33,711,291).

(iii) Foreign currency risk:

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

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 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 78.6% (2021 - 44.1%), or \$1,924,237,793 (2021 - \$1,110,055,641) 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:

	2022		2021	
	Fair Value	Sensitivity	Fair Value	Sensitivity
Currency:				
US dollar	\$ 1,112,291,115	\$ (111,229,112)	\$1,030,307,567	\$ (103,030,757)
British pound	29,342,915	(2,934,291)	35,890,905	(3,589,091)
Euro	44,228,234	(4,422,823)	43,857,169	(4,385,717)
Total	\$ 1,185,862,264	\$ (118,586,226)	\$1,110,055,641	\$ (111,005,565)

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.

# THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 12. 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 Pension Fund. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

The Pension Fund's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. 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 2022 or 2021. The maximum credit risk exposure as at December 31, 2022 is \$684,507,404 (2021 - \$705,367,427), comprised of contributions receivable and accounts receivable of \$2,661,877 (2021 - \$2,080,285) and fixed income securities and alternative fixed income of \$681,845,527 (2021 - \$703,287,142).

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Pension Fund's investments will fluctuate due to changes in market interest rates. To properly manage the Pension Fund's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Pension Fund's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 100 basis point or 1% increase in interest rates, with all other variables held constant, would impact fixed income investments by an estimated loss of \$6,818,455 (2021 - \$7,032,871).

## 13. Comparative information:

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