

**For the
Members of
The Edmonton
Pipe Industry**

**Pension Trust Fund
and
Health and Welfare Fund**

2022
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

Rod McKay
Kevin Morin
Robert Taylor
Cody Telford

Independent Trustees

Ray Pisani, ICD.D
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

Orbis Investment Management – Bermuda

CBRE Group, Los Angeles, California, USA

MGG Investment Group, New York, New York, USA

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

IFM Investors, New York, New York, USA

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 and Health & Welfare Fund Investment Counsel

Ellement Consulting Group, Vancouver, British Columbia

Health and Welfare Plan Insurers

Canada Life, Winnipeg, Manitoba

Manulife Financial, Toronto, Ontario

Chubb Insurance Canada, Toronto, Ontario

Health and Welfare Fund Investment Managers

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

TD Asset Management, Toronto, Ontario

Northleaf Capital Partners, Toronto, Ontario

CBRE Group, Los Angeles, California, USA

Health and Welfare Plan Employee Assistance Program Provider

United Association Member Assistance Plan

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 Board of Trustees.

Administration services provider

The administration services provider is appointed by the Board of Trustees and manages the Pension Trust Fund and the Health and Welfare Fund, and is responsible for providing quality service to the members. The administration services provider develops and maintains high-quality systems for internal accounting and administrative control. These systems are designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, financial information is timely, accurate and reliable, and assets are appropriately accounted for and adequately safeguarded. The administration services provider is also responsible for preparing financial statements in accordance with Canadian 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 Auditor's 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 counsel

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, 2022.

Pension Trust Fund

The Pension Trust Fund's financial position remains strong, despite a very challenging year for our investments. As at December 31, 2022 the Pension Fund reported net assets available for benefits of just under \$2.5 billion, an accessible going concern excess of \$946 million and a going concern funded ratio of 163%.

For the year ended December 31, 2022, the Fund earned a rate of return of 0.09% (13.5% for Fiscal 2021) net of investment manager and custodial fees. It was a difficult year for all public markets and the challenges have continued so far this year. Our investment asset mix has slightly more than 50% allocated to Alternative Investments (Real Estate, Private Equity, Infrastructure and Private Debt), all of which performed well in 2022. This overall rate of return of 0.09% places the Pension Fund in the top decile of pension funds measured by our Investment Consultant.

During the year we were pleased to announce, effective January 1, 2022, a 5% increase in pension payments and a similar increase in accrued pensions. The Board reviews and considers pension adjustments each year. It is our objective to increase pension rates whenever possible but such increases are subject to regulatory approval and the long-term financial stability of the Plan.

The Trustees annually review, and amend when deemed necessary, the Funding and Benefits Policy and the Statement of Investment Policies and Procedures (SIPP). No significant amendments were made in 2022.

The current hourly pension contribution rate is \$6.60, as determined by the recently renewed Collective Bargaining Agreement.

Health and Welfare Fund

The Health and Welfare Fund remains in strong financial position. As at December 31, 2022, net assets available for benefits were \$112.8 million, a decrease of \$4.1 million from 2021. After reserves for future Plan benefits, including the hour bank, the unallocated net assets were \$73.7 million. Investment results have a significant impact on the Fund's financial results and have fluctuated over the years as market performance varies from year to year. Investment income is important as employer and member contributions are insufficient to cover the cost of benefits.

During the year, a new Collective Bargaining Agreement was completed which increased the hourly contribution rate from \$2.04 to \$2.57 in November 2022, with a further increase to \$2.70 in May 2023. This increase in rate is welcome as the cost of benefits continues to rise. The average monthly cost of benefits for active members in 2022 was \$334, up from \$316 in 2021. The new contribution rate of \$2.57 per hour, times 130 hours per month, also equates to \$334 per month and allowed us to keep pace at the current cost levels.

The Trustees will continue to focus on the long-term sustainability of the Fund and strive to ensure that benefits can be financially supported through investment income, active member contributions and premiums paid by retirees, widows, disabled and pay direct members.

We regularly review the Plan's suite of benefits and recently improved the dental benefit to align with the 2022 Alberta Fee Guide, effective with eligible services rendered on/after July 1, 2023.

Plan Administration

Effective January 1, 2022, the Boards renewed the Plan Administration Agreement with McAteer-Employee Benefit Plan Services Limited for a six-year term. We thank the team at McAteer for their service to our members and look forward to continuing this valuable relationship.

Boards of Trustees

At the Board meetings in March 2023, the Boards accepted the recommendation of the Trustees Nominating Committee and reappointed Gordon Clanachan and Ralph Peterson as Independent Trustees for a further two-year term, and reappointed Gordon Clanachan as Chair of the Boards.

At the May meetings we welcomed Cody Telford and Kevin Morin to the Boards, both having been recently elected by Local 488 members. We also said goodbye to Stu MacLeod and thanked him for his eight years of commitment and active participation.

The Board of Trustees of the Pension Trust Fund and Health and Welfare Fund met five times during the year ended December 31, 2022. In addition, the Board of Trustees has an Audit Committee which met twice in 2022.

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 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 2023

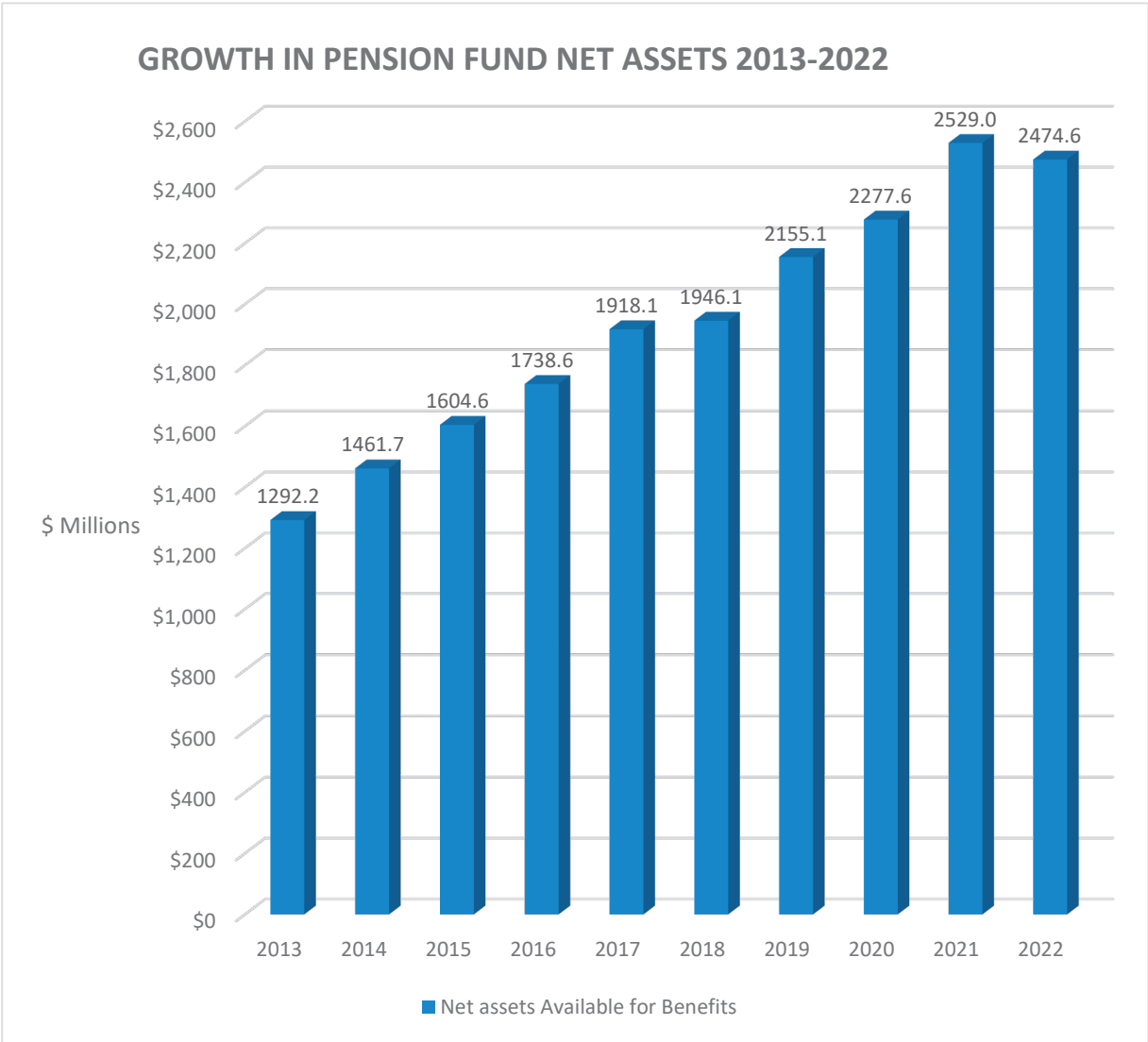
PENSION FUND HIGHLIGHTS AND COMMENTARY

Pension Fund Assets

At December 31, 2022, the Pension Fund had almost \$2.5 billion in net assets available for benefits. This is a decrease of \$54.3 million compared to the net assets available for benefits at December 31, 2021. Net employer contributions, including reciprocal transfers, in 2022 were \$34.4 million, an increase of \$2.0 million compared to 2021.

The Pension Fund received contributions in respect of 6.7 million hours worked during 2022. During 2021 the Fund received contributions in respect of 4.8 million hours.

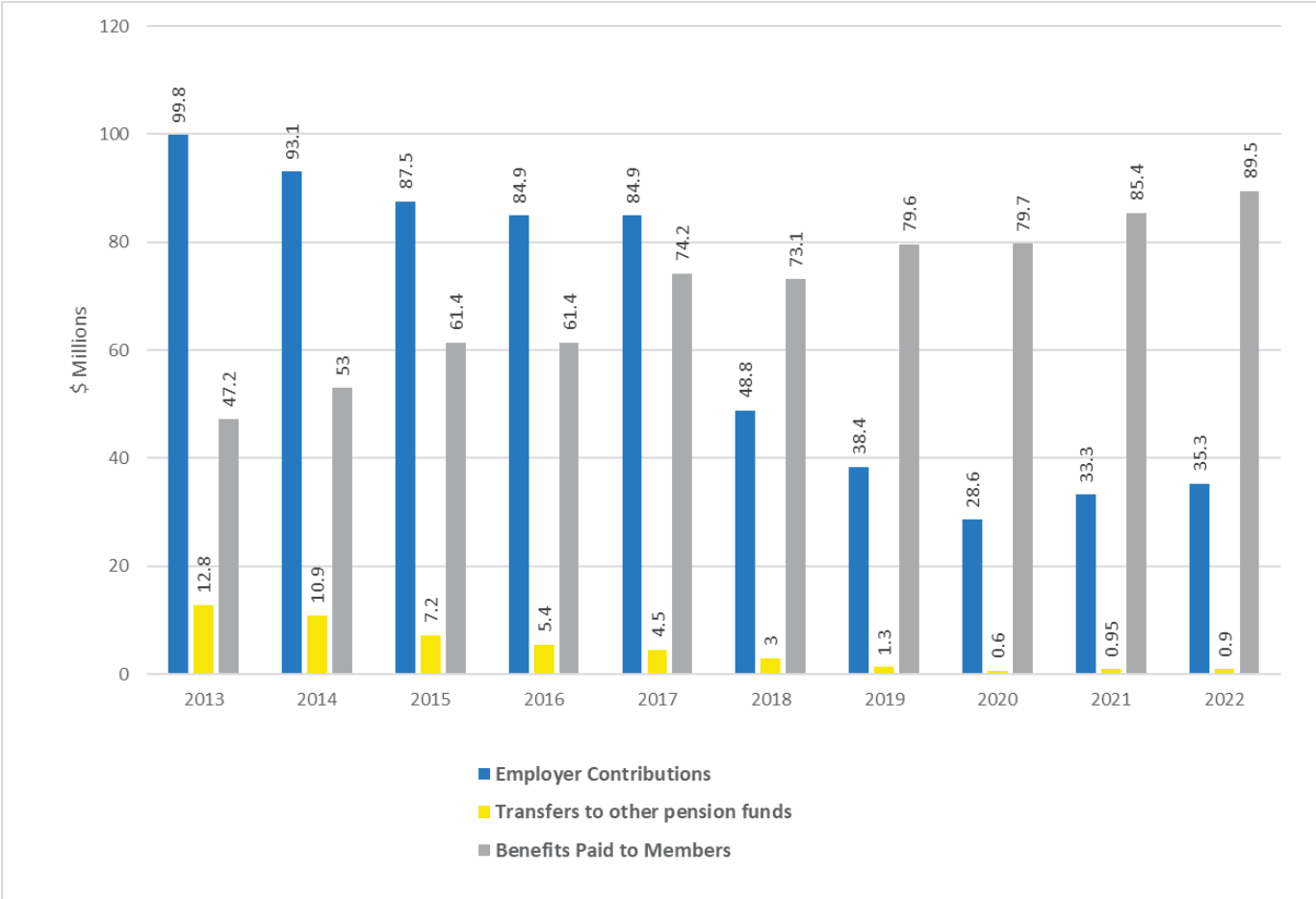
The chart below illustrates the growth in the Pension Fund's net assets.



Pension Fund Contributions

For the year ended December 31, 2022, the Pension Fund paid \$89.5 million (\$85.4 million in 2021) in pension, death and termination benefit payments.

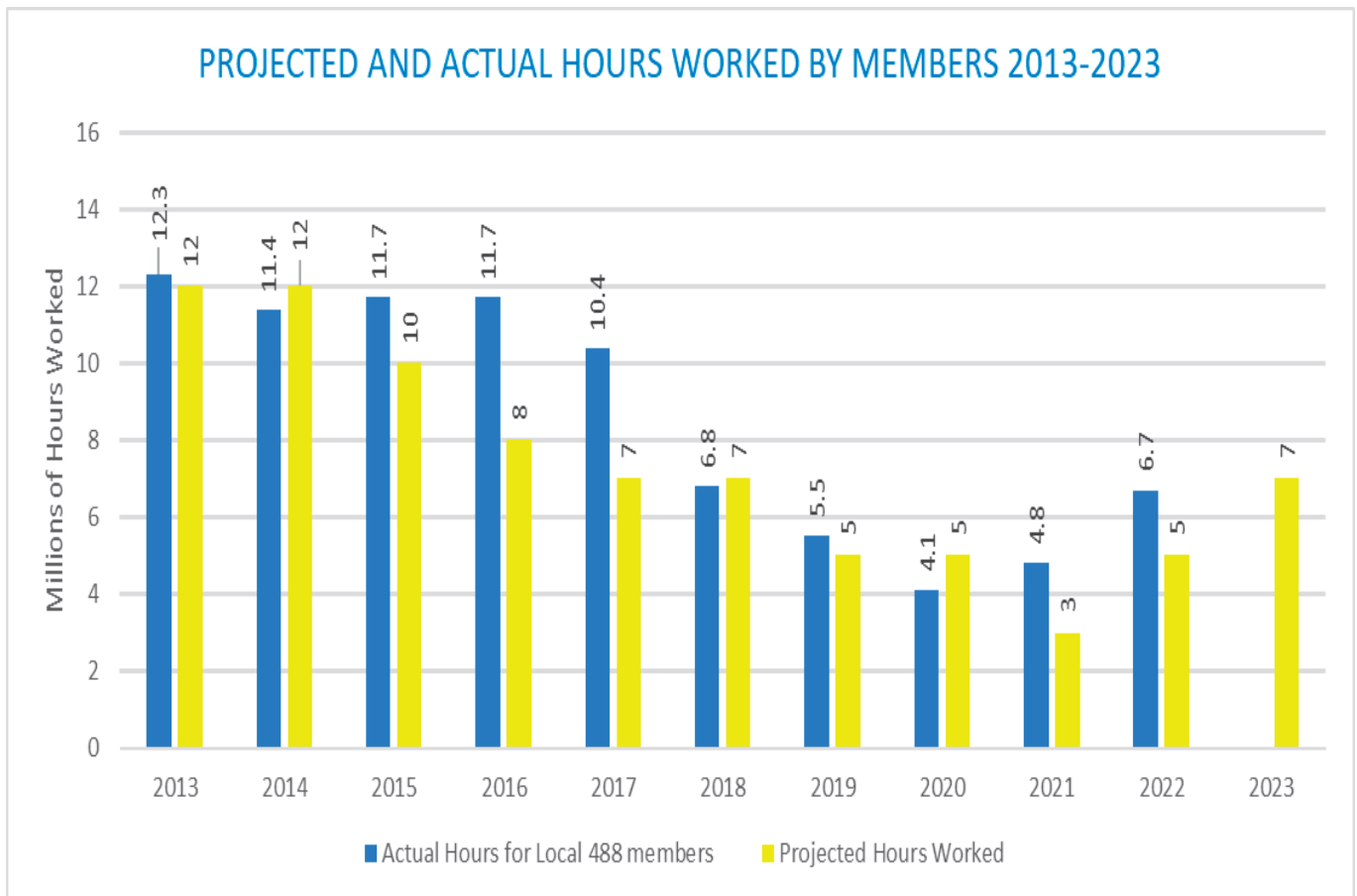
The chart below illustrates, for the period 2013 to 2022, the employer contributions received, reciprocal transfers to other pension funds and the pension benefits paid to plan members.



Employer Contributions and Hours Reported to the Pension Fund

During the year ended December 31, 2022, the Pension Fund received employer contributions based on 6.87 million hours earned in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 0.18 million hours to other pension funds on behalf of union members who were not members of Local 488. Included in the remaining hours of 6.69 million is 0.38 million hours earned by Retired Members.

For Fiscal 2023, the Pension Plan will use an assumption that 7 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.



Pension Fund Investment Rate of Return

Asset class and the Pension Fund's returns for the year ended December 31, 2022 were:

Asset Class	Pension Fund Return for The Year Ended December 31, 2022	Market Return for the Year Ended December 31, 2022
Canadian Equities	-1.2%	-5.8%
Canadian Long Term Bonds	-22.0%	-21.8%
Canadian Universe Bonds	-11.3%	-11.7%
Canadian Treasury Bills	1.8%	1.8%
Global Equities	-8.7%	-12.2%
Alternative Fixed Income (Private Debt)	8.7%	**
Infrastructure	18.3%	**
Private Equities	22.5%	**
Real Estate	12.7%	**

** Market Returns for these Asset Classes not publicly available

For the year ended December 31, 2022, the Pension Fund earned an overall rate of return of 0.09%, net of investment manager and custodial fees. In Fiscal 2021 the Pension Fund had a rate of return of 13.52%. The Pension Plan's assumed investment return from the 2022 actuarial valuation was 6.73%. The chart on the following page shows the annual rates of return of the Pension Fund from 2012 to 2022 inclusive.

The Pension Fund's assumed investment return of 6.73% was set by the Trustees based on input from the Pension Plan's actuary and after taking into consideration the continued volatility in the global investment markets. This is the average rate that the Pension Fund's investments are expected to earn in the long term. The Trustees anticipate that, over short periods of time, the Fund's actual investment returns will be higher or lower than our 6.73% average return expectation. This assumption is reviewed annually.

Pension Fund Investment Rate of Return (Cont'd)



Pension Fund Investments

For the year ended December 31, 2022 the Pension Fund’s investments returned 0.09% after fees (1.21% before investment manager and custodial fees). The average pension fund, invested in a balanced portfolio, measured by our independent performance measurement service returned -7.60% before fees for the year ended December 31, 2022. The Pension Fund’s four year average return of 8.94% ranks in the top quartile (8th percentile).

Pension Fund Investments (Cont'd)

As part of their ongoing management of the Pension 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, 2022 (based on market values)
	Minimum	Normal	Maximum	
Cash and Cash Equivalents	0%	0%	4%	1.2%
Canadian Fixed Income (Bonds)	10%	17%	25%	11.5%
Publicly Traded Equities (Canadian)	10%	15%	25%	17.1%
Publicly Traded Equities (Foreign)	10%	19%	30%	19.9%
Private Equities	5%	12%	15%	10.7%
Real Estate	5%	10%	15%	11.8%
Infrastructure	5%	10%	15%	11.4%
Alternative Fixed Income	10%	17%	25%	16.4%

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 given 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 through 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 Pension Fund 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 Pension Plan to improve the income characteristics of the investment which can then be relied upon to fund pension payments.

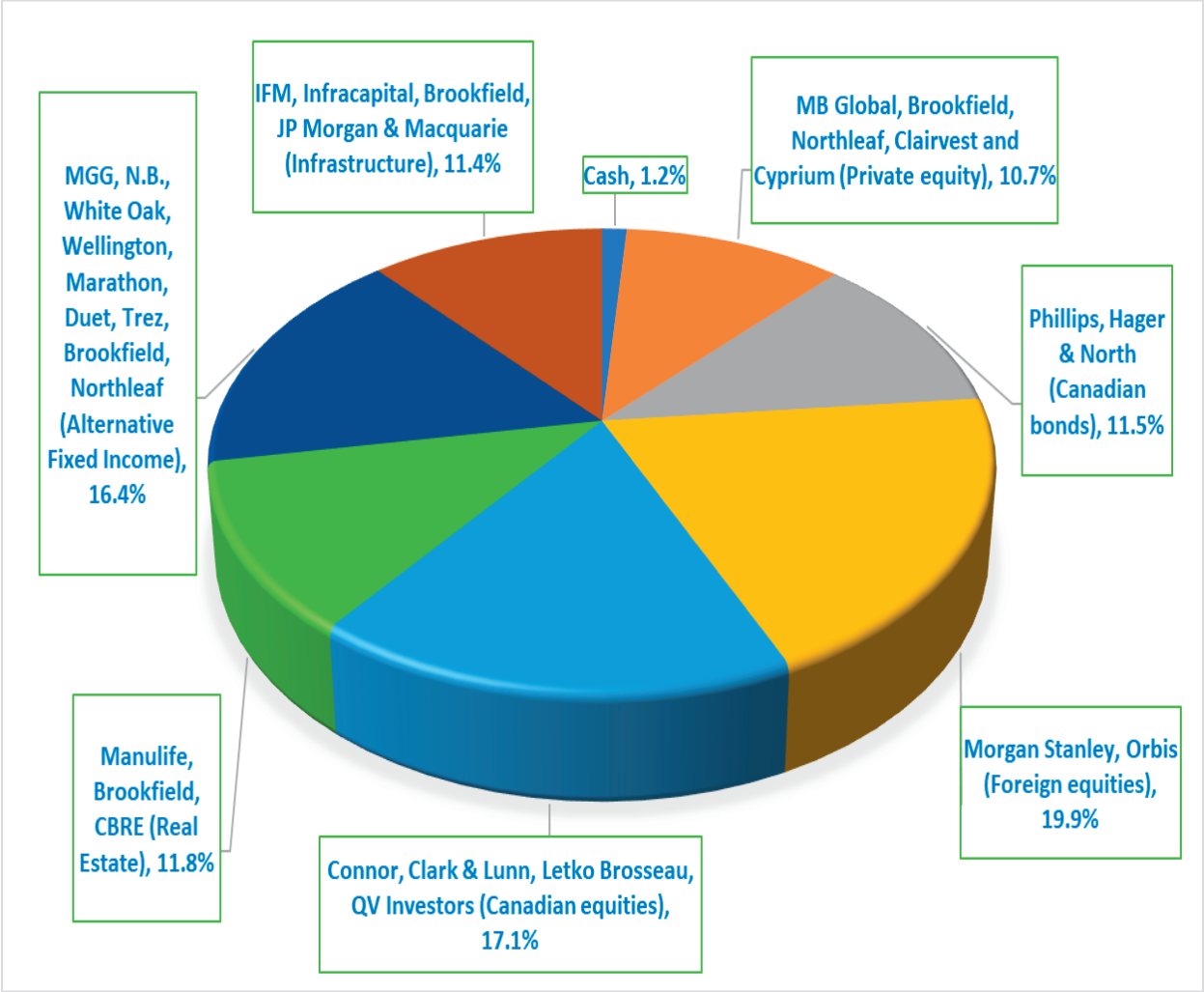
The Trustees have policies in place to monitor the overall asset mix of the Pension Fund and to guide the investment of contributions from employers and investment income.

An important element of the Pension Fund's 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 Fund's assets are divided amongst 24 independent investment managers. In addition, the Pension Fund's Custodian, CIBC Mellon, manages the Pension 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 Pension Fund will be invested. These guidelines also protect the Pension Fund from unacceptable market risk. The allocation of Pension Fund assets to the independent investment managers, as at December 31, 2022, is illustrated as follows:



PENSION PLAN BENEFITS – FUNDING AND BENEFIT POLICY

The Pension Plan has a Funding and Benefit Policy. This Policy sets guidelines for the Trustees about what considerations to take when thinking about the Pension Plan's benefits and how to react if the Pension 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 Pension Plan.

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

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

ACTUARIAL VALUATION

Membership Data	2015	2016	2017	2018	2019	2020	2021	2022
Number of active members	8267	8461	7606	7345	6487	5329	4781	4559
Average age of active members (in years)	40.6	40.7	41.1	41.8	41.9	42.5	42.8	43.3
Average hours worked	1575	1555	1549	1110	1124	1043	1143	1704
Number of pensioners (including disabled)	3080	3234	3431	3610	3820	3971	4115	4207
Average age of pensioners (in years)	70	70.1	70.3	70.8	70.8	71.1	71.3	71.5

The Pension Plan's actuarial valuation is a sophisticated mathematical tool prepared by a certified actuary. The actuary uses accepted actuarial standards, guided by the Canadian Institute of Actuaries, to estimate the future rate of growth of the Pension Plan's liabilities. This result is compared to the 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 Pension Plan carried out each year. Current pension legislation requires that a valuation be filed 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 Pension Plan. If the Pension Plan's assumptions for investment return, hours worked or life expectancy are not met by the actual results of the Pension 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, together with the Pension Plan's actuary, review and approve the assumptions to be included in the actuary's preparation of the actuarial valuation. The Trustees are confident that the Pension Plan's assumptions are realistic forecasts about the Pension Plan's future. The assumptions include a reasonable margin in case there is a poor result in investment markets, contributions to the Pension Fund or Pension Plan demographics.

ACTUARIAL VALUATION (Cont'd)

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

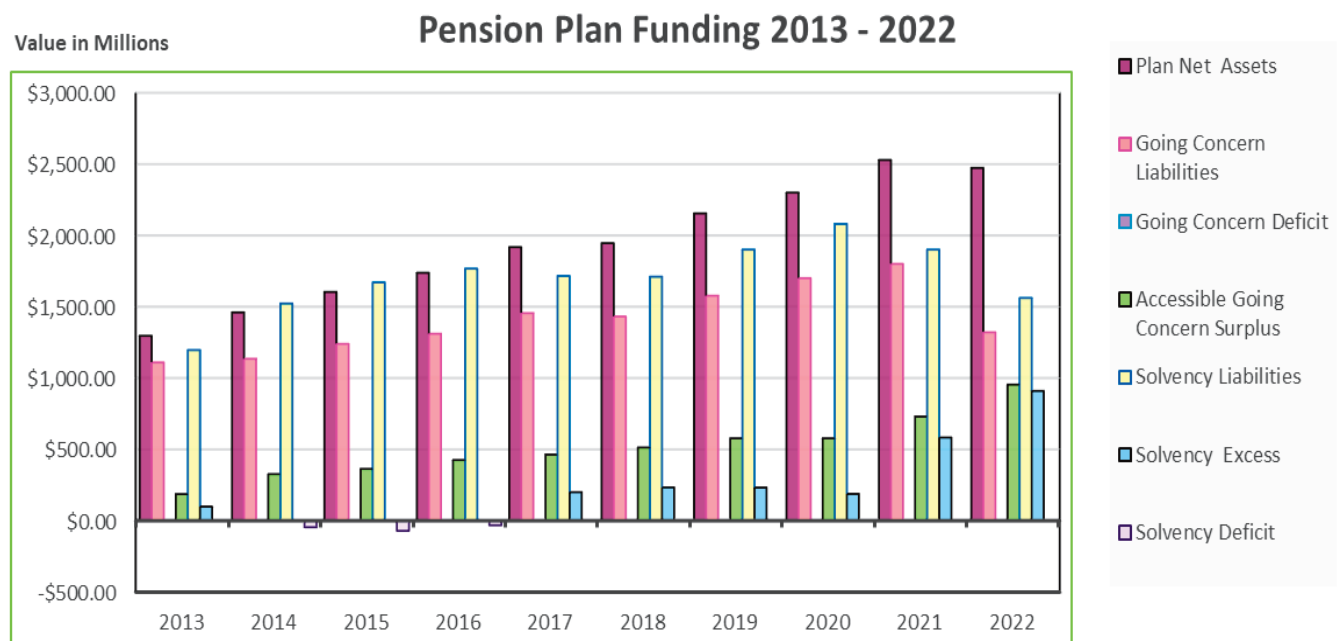
- *The rate of return that the Pension Fund's investments will earn.* This assumption attempts to predict the future growth of the Pension Fund's assets.

For the 2022 actuarial valuation, the assumed rate of return on Pension Fund investments is 6.73%. This is the average rate that the Pension Fund's investments are assumed to earn in the long-term. The Trustees anticipate that, over short periods of time, the Fund's actual investment returns will be higher or lower than our 6.73% average return expectation.

- *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 earned.

The more hours earned 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 Pension Plan's benefits. For the 12 months ended December 31, 2022, Local 488 members earned a total of 6.7 million hours, compared to the forecast of 5 million hours. For Fiscal 2023 the Plan's assumption is that Local 488 members will earn 7 million hours. The assumption regarding hours earned is closely monitored at each Trustees' meeting.

The Pension Plan's funding status from 2013 to 2022 is shown in the illustration below:



ACTUARIAL VALUATION (Cont'd)

The Pension Plan's going concern funded ratio increased to 163% at December 31, 2022 compared to 135% at December 31, 2021. The Pension Plan's solvency funding ratio improved to 158% at December 31, 2022 compared to 125% at December 31, 2021. The Pension Plan had a solvency excess of \$910.6 million at the end of Fiscal 2022. At December 31, 2021, the Pension Plan had a solvency excess of \$502.9 million.

The Pension Plan pays Termination Benefits based upon the going concern method used in the Actuarial Valuation. The interest rate used for this calculation in 2023 will be 6.73% once the funding valuation for the year ended December 31, 2022 is filed. Until such time, the interest rate used for termination benefit calculations is 5.74%, consistent with the last filed funding valuation at December 31, 2021.

Effective January 1, 2007 the Pension 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, 2022 the value of the defined contribution benefit for retired Members is \$19.5 million.

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”.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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

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THE EDMONTON PIPE INDUSTRY PENSION TRUST FUND

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
ASSETS		
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>
LIABILITIES		
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
	151,778,184	371,196,591
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
	206,120,397	119,861,779
(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	\$ 2,474,663,730	\$ 2,529,005,943

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 st	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	12,897,000	(7,724,000)
	<u>1,321,665,000</u>	<u>1,402,656,000</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
	<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

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

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

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

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

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

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

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

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

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

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

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	-
	260,965,613	215,329,351
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
	286,997,564	272,963,485
Derivative contracts:		
CIBC Capital Markets	3,098,138	11,429,677
	3,098,138	11,429,677
	\$ 2,449,169,835	\$ 2,519,254,707

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 ¹	5.74%	5.44%
Discount rate, end of year	6.73%	5.74%
<i>Investment return - actual</i> ²	0.09%	13.52%
Provision for adverse deviation, beginning of year	28.90%	31.15%
Provision for adverse deviation, end of year ³	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.

¹ 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.

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

³ 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

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
Net assets available for benefits	\$ 2,474,663,730	\$ 2,529,005,943
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
	1,321,665,000	1,402,656,000
Funding excess as determined on a going concern basis	\$ 1,152,998,730	\$ 1,126,349,943
Funded ratio	187%	180%

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)
	\$ 81,176,384	\$ 35,232,844	\$ (86,426,823)	\$ 29,982,405

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
	\$ 79,439,450	\$ 102,395,458	\$ 156,011,183	\$ 337,846,091

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
Total investments		100.0	100.0

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
Total investments		100.0	100.0

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)
Balance, end of year	\$ 353,478,282	\$ 259,177,552	\$ 215,329,351	\$ 272,963,485	\$ 1,100,948,670

(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

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	Sensitivity	2021	Sensitivity
	Fair Value		Fair Value	
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

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.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

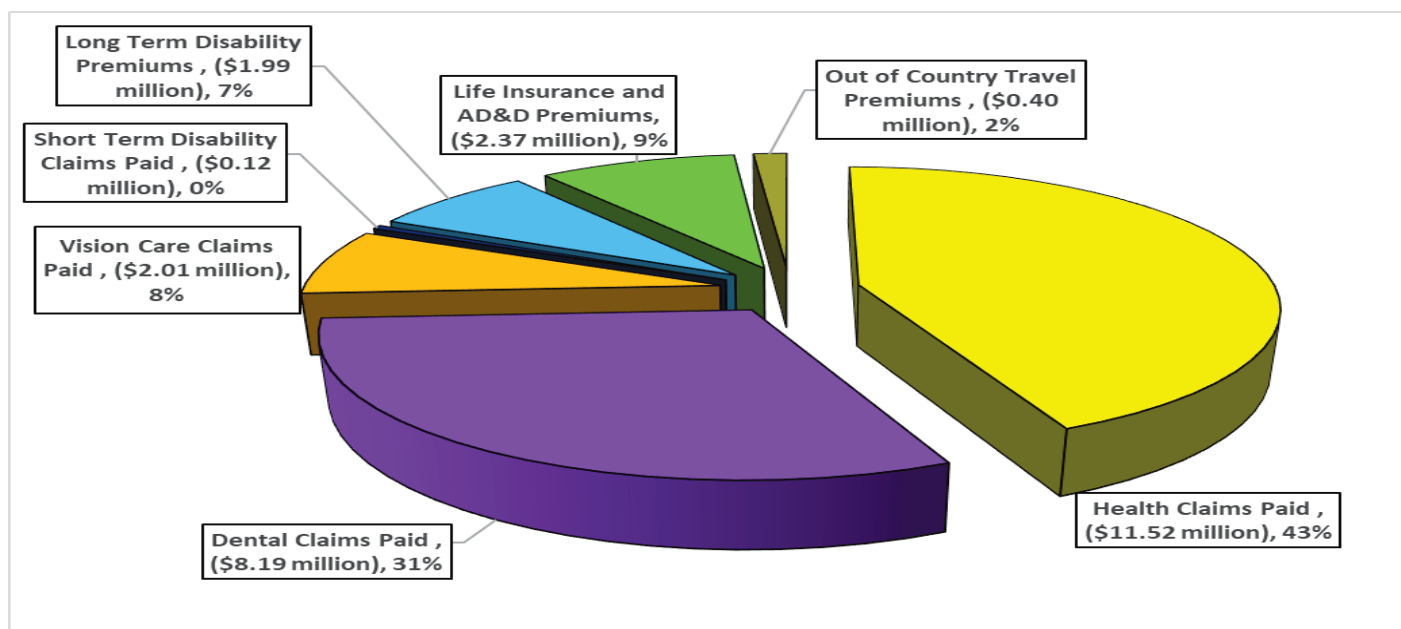
HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

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 Health and Welfare 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 Health and Welfare Plan provides life insurance, health and dental care benefits to retired Members. The Health and Welfare Plan also provides health and dental benefits to the widows of active and retired Members.

During the year ended December 31, 2022, on average, the Health and Welfare Plan provided benefits to 4,581 active Members; 1,613 retired Members; 141 disabled Members and 438 widows of Members. The Health and Welfare Plan also provided 115 Members with benefits under the self-payment program.

The Trustees have the sustainable long term funding of the Health and Welfare Plan as an important objective. The Health and Welfare Plan is financed under several funding arrangements including insurance policies underwritten by Canada Life for the life, and long term disability benefits, Chubb for the accidental death & dismemberment benefit and out of country emergency travel assistance insured by Manulife. The Health and Welfare 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 2022 total Health and Welfare Fund benefit payments and premiums were \$26.6 million. The chart below illustrates the Health and Welfare Fund expenses in Fiscal 2022:



THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

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

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

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 Health and Welfare Plan is the Plan Web Site, www.epibenefitplans.com. Changes to the Health and Welfare 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)

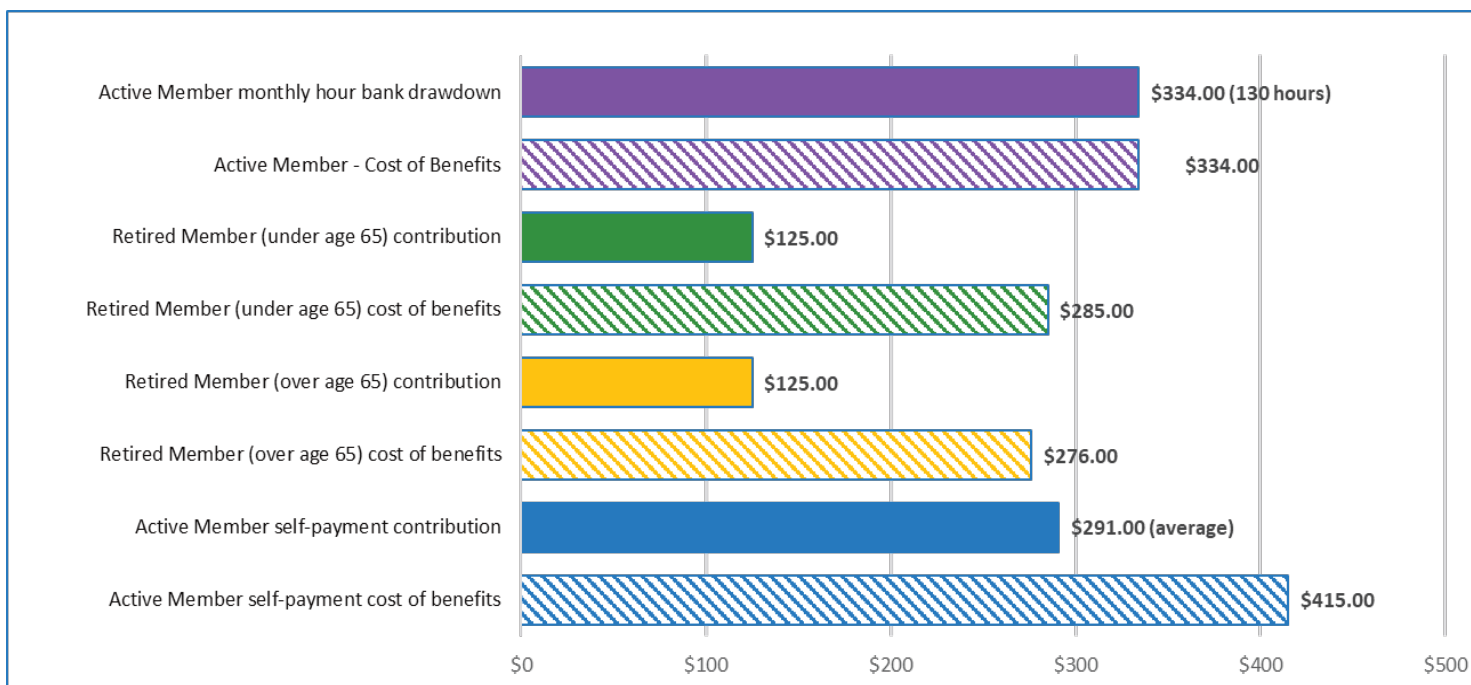
Funding of Welfare Plan Benefits

At December 31, 2022 the Health and Welfare Fund had sufficient assets on hand to provide benefits to active Members for the entire amount deposited to their hour banks. The Health and Welfare Fund also retained sufficient monies to provide retiree benefits for a period of 60 months.

Retiree benefits are an important feature of the Health and Welfare Plan. Benefits provided to Retirees are highly subsidized by the Health and Welfare 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 Health and Welfare Fund for benefits, in order to secure the appropriate level of funding.

After the Health and Welfare Fund had set aside sufficient funds to cover its defined reserves for Active Member hour banks of \$20.8 million and Retirees/Disabled and Widows of \$14.9 million, the Health and Welfare Fund held unallocated net assets available for benefits of \$73.7 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 Health and Welfare Plan for the year ended December 31, 2022.



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 2021 to 2022:

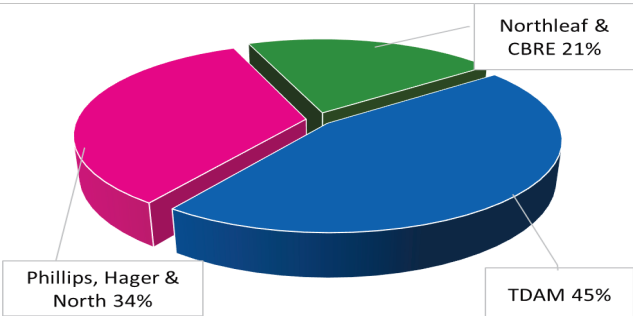
Classification	Fiscal 2021 Average Monthly Cost of Benefits	Fiscal 2022 Average Monthly Cost of Benefits	Change in Cost of Benefits 2021 to 2022
Active Members	\$316.00	\$334.00	+5.7%
Retired Members under age 65	\$278.00	\$285.00	1.2%
Retired Members over age 65	\$269.00	\$276.00	1.2%
Active Members using self-payment	\$457.00	\$415.00	-9.9%

HEALTH AND WELFARE FUND INVESTMENTS

The Health and Welfare Fund’s investments are governed by an investment policy approved by the Trustees. Investment income is important to the Health and Welfare Fund because, as shown above, some of the Health and Welfare Plan’s benefits are highly subsidized. Investment income helps to support the subsidies. Without investment income, earned under a prudent investment mandate, the active Members’ hour bank drawdown would be higher. The Health and Welfare 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 Health and Welfare Fund earned investment income, including realized and unrealized gains on the value of investments, of \$0.4 million in Fiscal 2022 (\$12.2 million in Fiscal 2021). At December 31, 2022, assets managed by TD Asset Management (TDAM) had a market value of \$48.9 million. The assets managed by Phillips, Hager & North had a market value of \$36.4 million. The assets Managed by CBRE Global and Northleaf Capital Partners had a market value of \$22.5 million.

A snapshot of where the Health and Welfare Fund’s assets are invested at December 31, 2022 is as shown in the graph below:



Financial Statements of

**THE EDMONTON PIPE INDUSTRY
HEALTH AND WELFARE 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 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, 2022
- 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, 2022 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 “***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”.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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 HEALTH AND WELFARE FUND

Financial Statements

Year ended December 31, 2022

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THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Statement of Net Assets Available for Benefits

December 31, 2022, with comparative information for 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,800,119	\$ 2,040,183
Investments (note 4)	107,920,509	114,415,515
Contributions receivable - employer	1,803,100	1,648,308
Accrued investment income	8,758	1,140
Income taxes receivable	707,538	-
Prepaid expenses and deposits	2,416,649	2,419,865
Due from The Edmonton Pipe Industry Pension Trust Fund (note 5)	50,980	3,214
	<u>115,707,653</u>	<u>120,528,225</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,296,771	2,219,789
Income taxes payable	-	707,538
Amounts due to other health and welfare funds (note 6)	76,601	97,607
Provision for unpaid claims	511,041	586,210
Provision for advance contributions	30,006	11,156
	<u>2,914,419</u>	<u>3,622,300</u>
Net assets available for benefits (note 7)	\$ 112,793,234	\$ 116,905,925

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, 2022, with comparative information for 2021

	2022	2021
Increase in net assets:		
Investment and other income (note 8)	\$ 3,884,990	\$ 3,428,948
Change in fair value (note 8)		
Net realized gains	5,134,397	5,102,899
Change in net unrealized gains	-	3,732,238
Employer contributions	16,774,896	16,735,853
Members' and pensioners' cash contributions	3,890,319	3,250,503
Members' optional insurance contributions	10,735	19,745
Reciprocal transfers from other health and welfare funds (note 6)	3,415,540	1,469,463
Decrease in provision for unpaid claims	75,169	150,888
Income tax recovery	707,538	-
	<u>33,893,584</u>	<u>33,890,537</u>
Decrease in net assets:		
Health, dental, vision and short-term disability claims	21,903,135	20,847,723
Long-term disability premiums	1,994,918	2,017,382
Life insurance premiums	2,184,472	1,936,337
Accidental death and dismemberment premiums	188,102	191,244
Claims administration fees	810,851	803,057
Special claims administration fees	-	140,568
Out-of-country insurance premiums	403,734	345,422
Members' optional life insurance premiums	26,899	36,290
Reciprocal transfers to other health and welfare funds (note 6)	613,863	517,324
Change in fair value (note 8)		
Change in net unrealized losses	8,638,986	-
Investment manager and custodian fees	363,361	340,198
Administrative expenses (note 9)	746,502	909,644
Income tax expense	131,452	835,691
	<u>38,006,275</u>	<u>28,920,880</u>
(Decrease) increase in net assets available for benefits	(4,112,691)	4,969,657
Net assets available for benefits, beginning of year	116,905,925	111,936,268
Net assets available for benefits, end of year	<u>\$ 112,793,234</u>	<u>\$ 116,905,925</u>

See accompanying notes to financial statements.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements

Year ended December 31, 2022

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

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.

The following is a brief summary of the main benefits of the Health and Welfare Plan in effect at December 31, 2022. 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 and short-term disability are funded solely by the assets of the Health and Welfare Fund;
- (b) long-term disability, accidental death and dismemberment, and optional life insurance and, effective January 1, 2020, out of country benefits are provided by Canada Life, Chubb or RSA Canada under a contract of insurance which uses a pooled funding method;
- (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) the employee assistance program is administered by the United Association's Member Assistance Plan.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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

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

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 measured 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 Health and Welfare Fund's functional currency.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Basis of preparation (continued):

(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 Health and Welfare Fund's Level 3 investments. Measurement uncertainty arises because the estimated fair values of the Health and Welfare 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 Health and Welfare 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 the estimated fair values and the amount ultimately realized for investments are included in change in fair value 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 of financial assets and liabilities are recognized in the statement of changes in net assets available for benefits as part of change in fair value.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(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 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 change in fair value.

(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.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Significant accounting policies (continued):

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

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.

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

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 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.

Private equity 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.

(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.

(f) Fund expenses:

Investment manager and custodian fees 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 40% to the Health and Welfare Fund and 60% to 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.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Investments:

	2022	2021
CBRE cash and cash equivalents	\$ 4,172	\$ -
Phillips, Hager & North Short-Term Bond and Mortgage Fund	15,546,518	18,169,840
Phillips, Hager & North Mortgage Pension Trust	20,900,546	22,031,111
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	21,255,482	26,914,097
TD Emerald Low Volatility Global Equity Pooled Fund Trust	27,696,091	26,898,080
Northleaf Capital Partners Northleaf Senior Private Credit LP, including transfers in transit	11,483,065	10,194,478
CBRE Global Investment Partners Global Alpha Fund FCP SIF - Global Alpha Open Ended Fund	11,034,635	10,207,909
	\$ 107,920,509	\$ 114,415,515

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.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Net assets available for benefits:

	Balance, January 1, 2022	Increase (decrease) in net assets available for benefits	Transfers	Balance, December 31, 2022
Reserve for future plan benefits	\$ 32,535,692	\$ -	\$ 3,221,622	\$ 35,757,314
Reserve for adverse claims fluctuations	3,127,159	-	158,311	3,285,470
Unallocated	81,243,074	(4,112,691)	(3,379,933)	73,750,450
	\$ 116,905,925	\$ (4,112,691)	\$ -	\$ 112,793,234

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 of \$20,834,416 (2021 - \$18,690,992) based on (i) the average actual cost of benefits for such members for the 12 months ended December 31, 2022 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 of \$14,922,898 (2021 - \$13,844,700) based on (i) the average monthly actual cost of benefits for such group of persons for the 12 months ended December 31, 2022 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.

Net transfers to (from) unallocated net assets available for benefits and the reserve for future plan benefits and the reserve for adverse claims fluctuations were approved by the Trustees during the year. Transfers from the reserve for future plan benefits reflect a drawdown from member hour banks to pay for benefits received during the year.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE 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 cash equivalents	\$ 63,716	\$ -	\$ -	\$ 63,716
Phillips, Hager & North Short Term Bond and Mortgage Fund and Mortgage Pension Trust	1,212,938	(472,076)	(2,481,577)	(1,740,715)
TD Emerald Low Volatility Canadian Equity and Global Equity Pooled Fund Trusts	1,731,549	5,793,484	(7,736,754)	(211,721)
Northleaf Capital Partners Northleaf Senior Private Credit LP	822,769	(187,138)	749,940	1,385,571
CBRE Global Investment Partners Global Alpha Fund FCP SIF - Global Alpha Open Ended Fund	54,018	127	829,405	883,550
	\$ 3,884,990	\$ 5,134,397	\$ (8,638,986)	\$ 380,401

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Investment and other income and change in fair value (continued):

2021	Investment and other income	Net realized gains (losses)	Change in net unrealized gains (losses)	Total
Cash and cash equivalents	\$ 12,615	\$ -	\$ -	\$ 12,615
Phillips, Hager & North Short Term Bond and Mortgage Fund and Mortgage Pension Trust	1,131,924	372,092	(1,312,139)	191,877
TD Emerald Low Volatility Canadian Equity and Global Equity Pooled Fund Trusts	1,781,033	4,728,757	4,245,924	10,755,714
Northleaf Capital Partners Northleaf Senior Private Credit LP	439,344	-	148,667	588,011
CBRE Global Investment Partners Global Alpha Fund FCP SIF - Global Alpha Open Ended Fund	64,032	2,050	649,786	715,868
	\$ 3,428,948	\$ 5,102,899	\$ 3,732,238	\$ 12,264,085

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. 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	\$ 437,567	\$ 548,239
Non-deductible GST and HST	29,981	46,682
Independent trustees' fees	38,200	38,000
Audit	38,552	36,202
Investment consulting fees	23,085	30,120
Insurance	25,101	24,300
Computer maintenance	14,509	17,220
Bank charges	11,405	14,296
Office expenses	400	1,081
Legal	-	-
	618,800	756,140
Common expenses shared with the Pension Trust Fund (note 3(f)):		
Rent	121,840	121,840
Office expenses	94,788	86,246
Postage	41,008	50,310
Annual report to members	22,488	26,780
Travel, conferences and meeting expenses	20,148	2,500
Non-deductible GST and HST	14,503	14,314
Other shared expenses	3,730	4,268
Insurance	750	750
	319,255	307,008
Less Pension Trust Fund share	(191,553)	(153,504)
	127,702	153,504
	\$ 746,502	\$ 909,644

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.

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 15, 2022.

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, 2022 and December 31, 2021.

2022	Benchmark	Target Range (%)	Actual (%)
Short Term Fixed Income	FTSE Canada Short Term Bond Index	10.0 - 40.0	14.4
Mortgages	FTSE Canada Short Term Bond Index +3%	15.0 - 40.0	19.4
Alternative Fixed Income	FTSE Canada Universe Bond Index	0.0 - 20.0	10.6
Canadian Equity	S&P TSX Composite	0.0 - 50.0	19.7
Global Equity	MSCI World Index	0.0 - 50.0	25.7
Real Estate	Canadian CPI + 5%	0.0 - 20.0	10.2
Total investments		100.0	100.0

2021	Benchmark	Target Range (%)	Actual (%)
Short Term Fixed Income	FTSE Canada Short Term Bond Index	10.0 - 40.0	15.9
Mortgages	FTSE TMX Canada Short Term Bond Index	15.0 - 40.0	19.3
Alternative Fixed Income	FTSE Canada Universe Bond Index	0.0 - 20.0	8.9
Canadian Equity	S&P TSX Composite	0.0 - 50.0	23.5
Global Equity	MSCI World Index	0.0 - 50.0	23.5
Real Estate	Canadian CPI + 5%	0.0 - 20.0	8.9
Total investments		100.0	100.0

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Capital risk management (continued):

The Health and Welfare Fund's investments are within the asset allocation target ranges as at December 31, 2022 and 2021.

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 available for benefits are a direct result of investment and other income and change in fair value 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.

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 EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Financial instruments (continued):

(a) Fair values (continued):

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

2022	Level 1	Level 2	Level 3	Total
Phillips, Hager & North Short Term Bond and Mortgage Fund	\$ -	\$ 15,546,518	\$ -	\$ 15,546,518
Phillips, Hager & North Mortgage Pension Trust	-	20,900,546	-	20,900,546
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	-	21,255,482	-	21,255,482
TD Emerald Low Volatility Global Equity Pooled Fund Trust	-	27,696,091	-	27,696,091
Northleaf Capital Partners Northleaf Senior Private Credit LP	-	-	11,483,065	11,483,065
CBRE Global Investment Partners Global Alpha Fund FCP SIF - Global Alpha Open Ended Fund	-	-	11,038,807	11,038,807
	\$ -	\$ 85,398,637	\$ 22,521,872	\$107,920,509

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Financial instruments (continued):

(a) Fair values (continued):

2021	Level 1	Level 2	Level 3	Total
Phillips, Hager & North Short Term Bond and Mortgage Fund	\$ -	\$ 18,169,840	\$ -	\$ 18,169,840
Phillips, Hager & North Mortgage Pension Trust	-	22,031,111	-	22,031,111
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	-	26,914,097	-	26,914,097
TD Emerald Low Volatility Global Equity Pooled Fund Trust	-	26,898,080	-	26,898,080
Northleaf Capital Partners Northleaf Senior Private Credit LP	-	-	10,194,478	10,194,478
CBRE Global Investment Partners Global Alpha Fund FCP SIF - Global Alpha Open Ended Fund	-	-	10,207,909	10,207,909
	\$ -	\$ 94,013,128	\$ 20,402,387	\$ 114,415,515

The following table reconciles changes in the Health and Welfare Fund's Level 3 investments:

	2022	2021
Balance, beginning of year	\$ 20,402,387	\$ 5,949,534
Purchases and transfers, net of disposals	-	13,248,632
Investment and other income	876,787	503,376
Net realized (losses) gains	(187,011)	2,049
Change in net unrealized gains	1,579,345	798,453
Investment manager and custodian fees	(149,636)	(99,657)
Balance, end of year	\$ 22,521,872	\$ 20,402,387

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

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.

The Health and Welfare 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 Health and Welfare Fund's equity investments by an approximate loss of \$4,895,157 (2021 - \$5,381,218).

(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.

The Health and Welfare Fund maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2022, the Health and Welfare Fund had cash and cash equivalents on hand in the amount of \$2,800,119 (2021 - \$2,040,183).

THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Financial instruments (continued):

(b) Associated risks (continued):

(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.

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 20.9% (2021 - 17.8%), or \$22,521,872 (2021 - \$20,402,387) of the Health and Welfare Fund's financial instruments are denominated in currencies other than the Canadian dollar.

The following table summarizes the Health and Welfare 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	\$ 22,521,872	\$ (2,252,187)	\$ 20,402,387	\$ (2,040,239)
Total	\$ 22,521,872	\$ (2,252,187)	\$ 20,402,387	\$ (2,040,239)

(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 EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Financial instruments (continued):

(b) Associated risks (continued):

(iv) Credit risk (continued):

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 2022 or 2021. The maximum credit risk exposure as at December 31, 2022 is \$49,733,230 (2021 - \$52,043,737), comprised of contributions receivable of \$1,803,100 (2021 - \$1,648,308) and fixed income securities and alternative fixed income of \$47,930,130 (2021 - \$50,395,429).

(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. The Health and Welfare 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 \$479,301 (2021 - \$503,954).

