For the

Members of

The Edmonton

Pipe Industry

# Pension Trust Fund

# and

# Health and Welfare Fund

2023

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



## Administration Services Provider

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

## Auditor

BDO LLP, Oakville, Ontario

## 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
RBC Global Asset Management Ltd.,
Vancouver, British Columbia
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, Letko
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

RBC Global Asset 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, 2023.

## Pension Trust Fund

The Pension Trust Fund's financial position continues to improve. At December 31, 2023 the Pension Fund reported net assets available for benefits of just under $2.6 billion, an accessible going concern excess of $890 million and a going concern funded ratio of 166%.

For the year ended December 31, 2023, the Fund earned a rate of return of 6.67% (0.09% for Fiscal 2022) net of investment manager and custodial fees. Our portfolio in total performed well in 2023. It was a good year for public markets, tempered by poor performance in real estate and private equities. The overall rate of return of 6.67% 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, 2023, a 5% increase in pension payments and a similar increase in accrued pensions. This increase follows a similar increase in the prior year. 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 2023.

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

## Health and Welfare Fund

The Health and Welfare Fund remains in a strong financial position. At December 31, 2023, net assets available for benefits were $93.8 million, an increase of $1.8 million from 2022. After reserves for future Plan benefits, including the hour bank, the unallocated net assets were $71.7 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 for 2023 was $5.6 million, as increase of $4.7 million over the prior year. This income is an important component in the overall funding of our Plan.

The current hourly health and welfare contribution rate is $2.70, as determined by the Collective Bargaining Agreement. This hourly rate came into effect in May, 2023 and was necessary to fund Plan benefits, the cost of which continues to rise. The average monthly cost of benefits for active members in 2023 was $350, up from $334 in 2022. The contribution rate of $2.70 per hour, times 130 hours per month, equates to $351 per month and allowed us to keep pace at the current cost levels.

The Trustees 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 May 1, 2023.

## Plan Administration

We thank the team at McAteer for their continued excellent service to the Boards and our members.

We also recognize the contribution of Brad Bondy, our primary investment advisor with Ellement Consulting Group, who retired earlier this year. Brad's advice and guidance over the past 9 years added significant value to both Funds.

## Boards of Trustees

At the Board meetings in May 2024, the Boards accepted the recommendation of the Trustees Nominating Committee and reappointed Ray Pisani as Independent Trustees for a further two-year term. No other changes were made to the Boards.

The Board of Trustees of the Pension Trust Fund and Health and Welfare Fund met six times during the year ended December 31, 2023. In addition, the Board of Trustees has an Audit Committee which met three times in 2023.

During 2023, we changed audit firms and retained BDO Canada LLP. BDO has a specialty group that serves the Multi-Employer Benefit Plan industry, and as such bring a depth of knowledge and experience that will greatly benefit our Plans.

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 2024

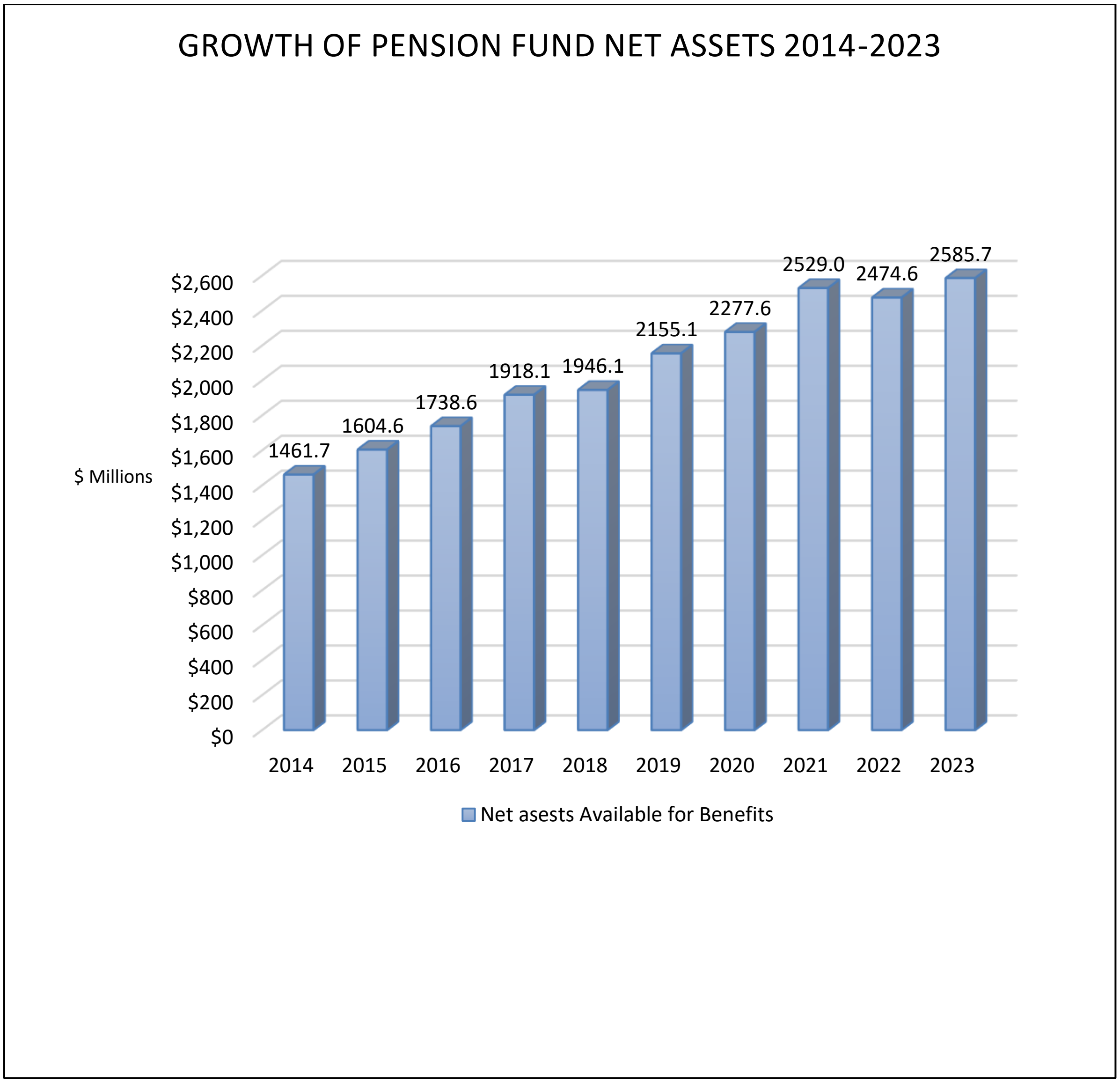
# PENSION FUND HIGHLIGHTS AND COMMENTARY

## Pension Fund Assets

At December 31, 2023, the Pension Fund had almost $2.6 billion in net assets available for benefits. This is an increase of $111.1 million compared to the net assets available for benefits at December 31, 2022. Net employer contributions, including reciprocal transfers, in 2023 were $43.2 million, an increase of $8.8 million compared to 2022.

The Pension Fund received contributions in respect of 8.88 million hours worked during 2023. During 2022 the Fund received contributions in respect of 6.7 million hours.

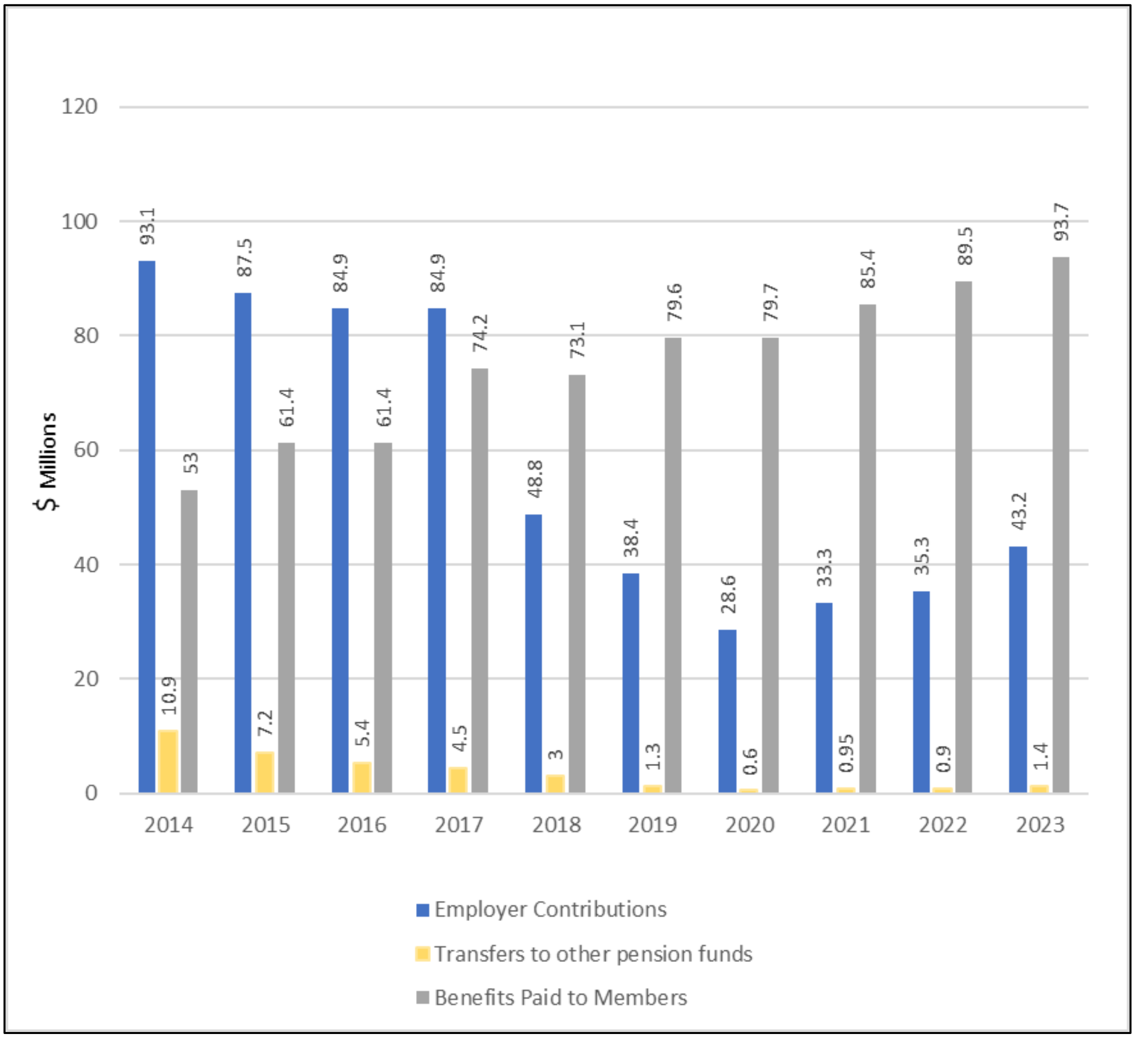
The chart below illustrates the growth in the Pension Fund's net assets.



### Pension Fund Contributions

For the year ended December 31, 2023, the Pension Fund paid $93.7 million ($89.5 million in 2022) in pension, death and termination benefit payments.

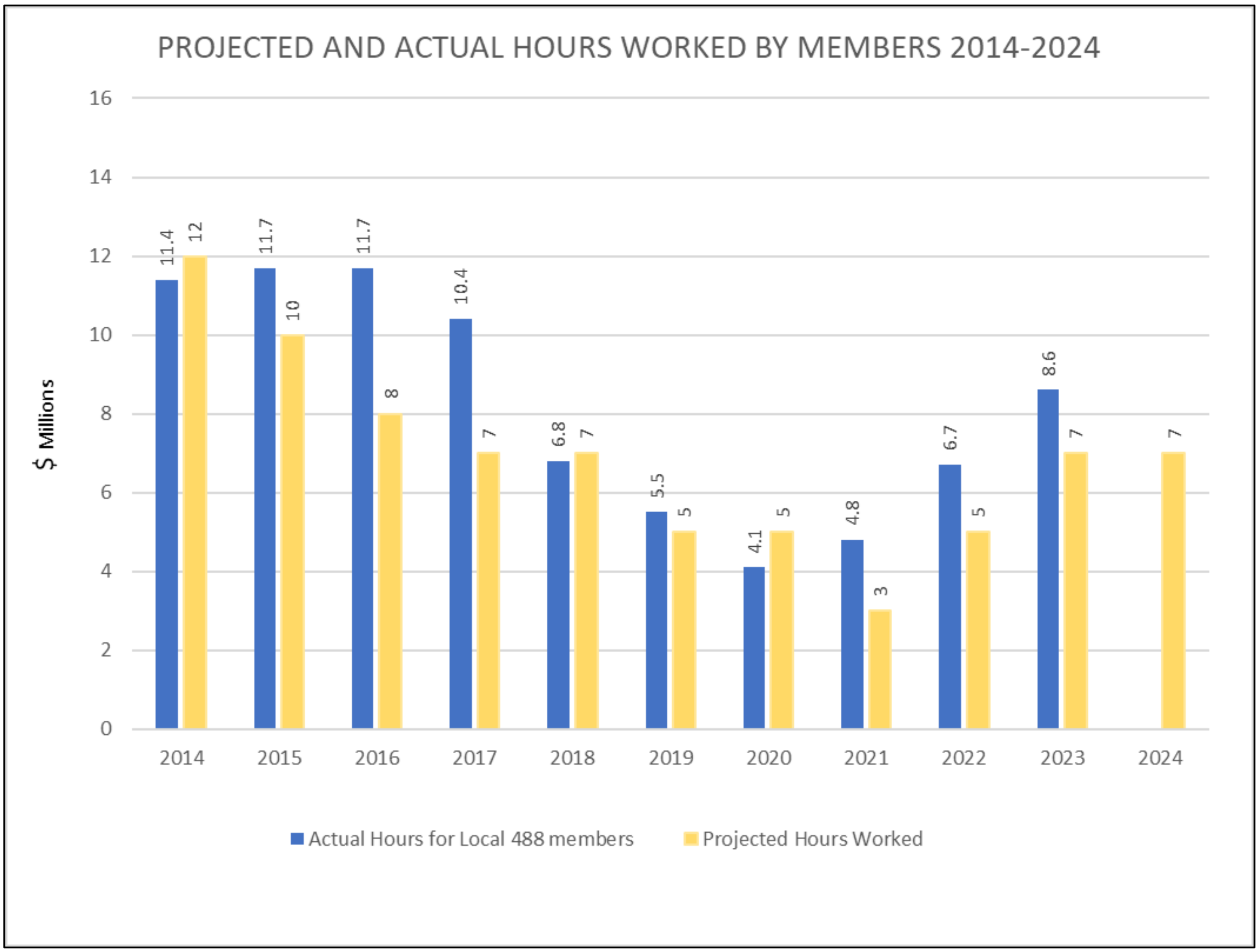
The chart below illustrates, for the period 2014 to 2023, the employer contributions received, reciprocal transfers to other pension funds and the pension benefits paid to plan members.



## Employer Contributions and Hours Reported to the Pension Fund

During the year ended December 31, 2023, the Pension Fund received employer contributions based on 8.88 million hours earned in the Local 488 jurisdiction. The Pension Fund transferred contributions based on 0.28 million hours to other pension funds on behalf of union members who were not members of Local 488. Included in the remaining hours of 8.6 million is 0.6 million hours earned by Retired Members.

For Fiscal 2024, 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, 2023 were:

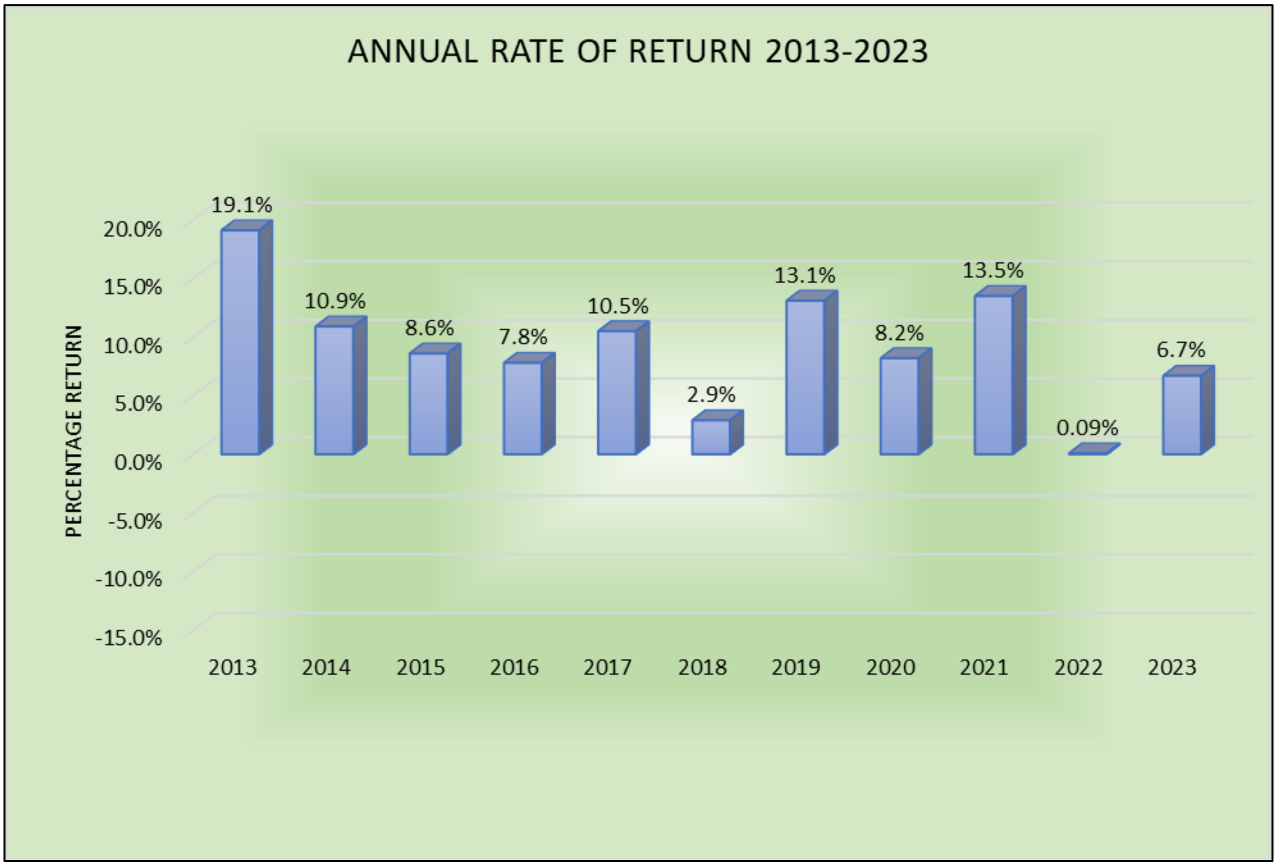
| Asset Class | Pension Fund Return for The Year Ended December 31, 2023 | Market Return for the Year Ended December 31, 2023 |
|---|---|---|
| Canadian Equities | 11.3% | 11.8% |
| Canadian Long Term Bonds | 10.6% | 9.5% |
| Canadian Universe Bonds | 7.5% | 6.7% |
| Canadian Treasury Bills | 4.7% | 4.7% |
| Global Equities | 16.1% | 20.5% |
| Alternative Fixed Income (Private Debt) | 6.5% | ** |
| Infrastructure | 11.0% | ** |
| Private Equities | 2.2% | ** |
| Real Estate | -8.5% | ** |

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

For the year ended December 31, 2023, the Pension Fund earned an overall rate of return of 6.67%, net of investment manager and custodial fees. In Fiscal 2022 the Pension Fund had a rate of return of 0.09%. The Pension Plan's assumed investment return from the 2023 actuarial valuation was 7.03%. The chart on the following page shows the annual rates of return of the Pension Fund from 2013 to 2023 inclusive.

The Pension Fund's assumed investment return of 7.03% 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 7.03% 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, 2023 the Pension Fund's investments returned 6.7% after fees (7.5% before investment manager and custodial fees). The average pension fund, invested in a balanced portfolio, measured by our independent performance measurement service returned 6.3% before fees for the year ended December 31, 2023. The Pension Fund's four year average return of 7.4% ranks in the top quartile (23rd 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, 2023 (based on market values) |
|---|---|---|---|---|
| | Minimum | Normal | Maximum | |
| Cash and Cash Equivalents | 0% | 0% | 4% | 0.9% |
| Canadian Fixed Income (Bonds) | 10% | 17% | 25% | 12.2% |
| Publicly Traded Equities (Canadian) | 10% | 15% | 25% | 17.1% |
| Publicly Traded Equities (Foreign) | 10% | 19% | 30% | 20.9% |
| Private Equities | 5% | 12% | 15% | 9.8% |
| Real Estate | 5% | 10% | 15% | 9.8% |
| Infrastructure | 5% | 10% | 15% | 12.7% |
| Alternative Fixed Income | 10% | 17% | 25% | 16.6% |

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)

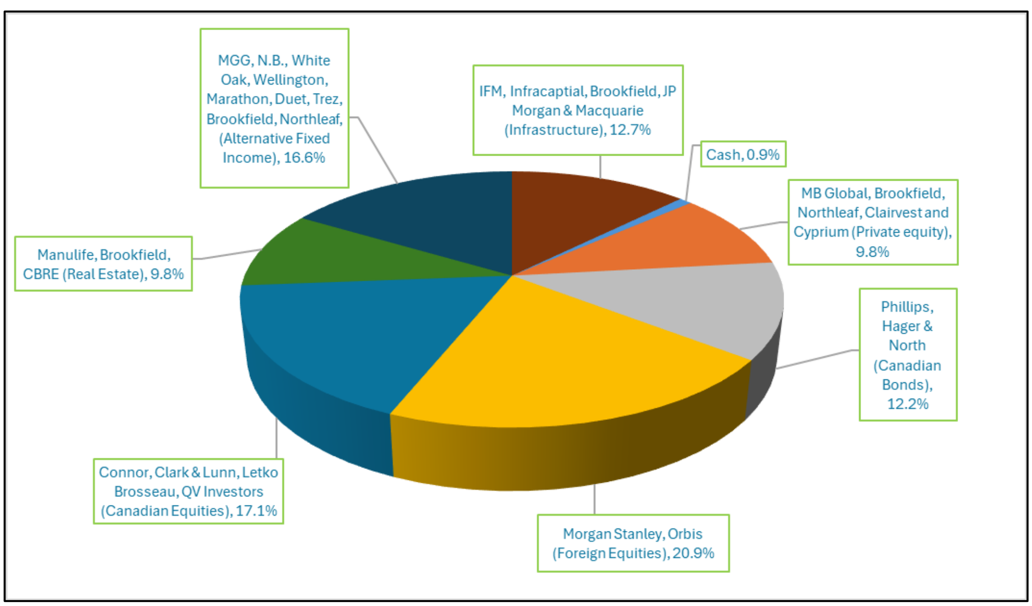
By investing in a variety of different asset classes, the Pension Fund is able to diversify its assets across a broader range of return expectations and investment risk. This is expected to produce a more stable risk and return profile which more closely matches the investment needs of a pension plan. 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.

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, 2023, 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 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| Number of active members | 8461 | 7606 | 7345 | 6487 | 5339 | 4781 | 4559 | 4578 |
| Average age of active members (in years) | 40.7 | 41.1 | 41.8 | 41.9 | 42.5 | 42.8 | 43.3 | 43.4 |
| Average hours worked | 1555 | 1549 | 1110 | 1124 | 1043 | 1143 | 1704 | 2086 |
| Number of pensioners (including disabled) | 3234 | 3431 | 3610 | 3820 | 3971 | 4115 | 4207 | 4295 |
| Average age of pensioners (in years) | 70.1 | 70.3 | 70.8 | 70.8 | 71.1 | 71.3 | 71.5 | 71.9 |

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:

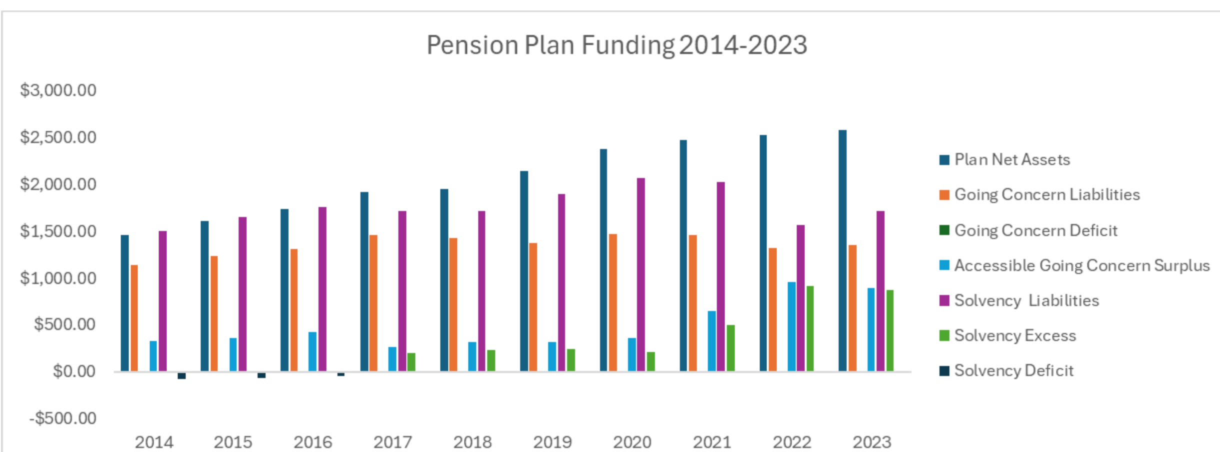
The rate of return that the Pension Fund's investments will earn. This assumption attempts to predict the future growth of the Pension Fund's assets.

For the 2023 actuarial valuation, the assumed rate of return on Pension Fund investments is 7.03%. 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 7.03% 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, 2023, Local 488 members earned a total of 8.6 million hours, compared to the forecast of 7 million hours. For Fiscal 2024 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 2014 to 2023 is shown in the illustration below:



## ACTUARIAL VALUATION (Cont'd)

The Pension Plan's going concern funded ratio, after PfAD, increased to 166% at December 31, 2023 compared to 165% at December 31, 2022. The Pension Plan had an accessible going concern excess of $890.2 million at December 31, 2023 compared to $891.5 at December 31, 2022.

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 2024 will be 7.03% once the funding valuation for the year ended December 31, 2023 is filed. Until such time, the interest rate used for termination benefit calculations is 6.73%, consistent with the last filed funding valuation at December 31, 2022.

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, 2023 the value of the defined contribution benefit for retired Members is $19.2 million.

# The Edmonton Pipe Industry Pension Trust Fund

## Financial Statements

**For the year ended December 31, 2023**

# The Edmonton Pipe Industry Pension Trust Fund
## Financial Statements
### For the year ended December 31, 2023

**Contents**

# Independent Auditor's Report

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

**Qualified Opinion**
We have audited the financial statements of The Edmonton Pipe Industry Pension Trust Fund (the "Fund" or "pension plan"), which comprise the statement of financial position as at December 31, 2023, and 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

**Basis for Qualified Opinion**
As agreed to by the Trustees of the Fund and in common with many pension plan audits, the scope of our audit was limited to the records of the Fund and therefore, did not extend to an examination of the payroll records of the contributing employers. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to contribution revenue and increase (decrease) in net assets for the years ended December 31, 2023 and 2022, assets as at December 31, 2023 and 2022 and net assets available for benefits as at January 1 and December 31 for both the 2023 and 2022 years.

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 report. We are independent of the Fund 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 qualified audit opinion.

**Other Matter**
The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 11, 2023.

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

## Independent Auditor's Report (Continued)

**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 these 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 Fund'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 Fund'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 Fund 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
May 30, 2024

# The Edmonton Pipe Industry Pension Trust Fund
# Statement of Financial Position

| December 31 | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Investments (Note 2) | **$ 2,536,209,189** | $ 2,445,337,788 |
| Cash | **47,324,079** | 28,508,072 |
| Contributions receivable | **3,965,530** | 2,485,580 |
| Accounts receivable | **211,882** | 176,297 |
| Prepaid expenses and deposits | **30,890** | 30,365 |
| | **2,587,741,570** | 2,476,538,102 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 3) | **1,893,836** | 1,823,392 |
| Due to The Edmonton Pipe Industry Health and Welfare Fund (Note 4) | **88,529** | 50,980 |
| | **1,982,365** | 1,874,372 |
| **Net assets available for benefits** (Note 5) | **$ 2,585,759,205** | $ 2,474,663,730 |

On behalf of the Board:

____________________ Trustee

____________________ Trustee

## The Edmonton Pipe Industry Pension Trust Fund
## Statement of Changes in Net Assets Available for Benefits

| For the year ended December 31 | 2023 | 2022 |
|---|---|---|
| **Increase in assets** | | |
| Employer contributions | **$ 37,099,518** | $ 31,322,415 |
| Reciprocal transfers, net | **6,123,380** | 3,116,515 |
| | **43,222,898** | 34,438,930 |
| Investment income (Note 6) | **193,134,451** | 29,178,529 |
| | **236,357,349** | 63,617,459 |
| **Decrease in assets** | | |
| Benefit costs | | |
| Pension payments | **80,468,908** | 74,026,176 |
| Termination and other lump sum payments | **10,509,061** | 14,279,930 |
| Lump sum death benefits | **2,692,310** | 1,210,433 |
| Total benefit payments | **93,670,279** | 89,516,539 |
| Fund and plan management expenses | | |
| Administrative expenses (Note 7) | **1,785,501** | 1,534,777 |
| Investment services and custodial fees | **29,905,372** | 27,000,671 |
| GST/HST recovery | **(99,278)** | (92,315) |
| Total expenses | **31,591,595** | 28,443,133 |
| | **125,261,874** | 117,959,672 |
| **Increase (decrease) in net assets** | **111,095,475** | (54,342,213) |
| **Net assets available for benefits,** beginning of year | **2,474,663,730** | 2,529,005,943 |
| **Net assets available for benefits,** end of year | **$ 2,585,759,205** | $ 2,474,663,730 |

### 1. Significant Accounting Policies

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

The pension plan itself was established pursuant to a collective agreement between the Union and the Party Employers dated May 1, 1965 (the "Collective Agreement"). A new Collective Agreement was signed on November 20, 2022 and is effective until April 30, 2025.

**Basis of Presentation**
These financial statements are prepared using Canadian accounting standards for pension plans. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply Canadian accounting standards for private enterprises.

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the participating employers and pension plan members. They are prepared to assist pension plan members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the pension plan or the benefit security of individual pension plan members.

The pension plan is a target defined benefit plan that specifies the expected benefits to be paid to members upon pension eligibility. Contributions are limited to amounts in the collective agreement and employers are not required to fund actuarially determined funding deficiencies that may occur from time to time. Rather, such actuarially determined funding deficiencies are addressed by options such as negotiating changes to the contribution levels specified in the collective agreement, making changes to the Fund’s investment strategies and/or by making adjustments to benefits paid by the Fund.

**Contributions**
Contributions are recognized on an accrual basis in the accounts on the basis of hours worked as reported by contributing employers at rates set in the applicable collective agreements.

**Pension Benefits**
Pension payments are shown as expenditures in the year of payment. Information is presented in Note 5 with respect to the pension obligation and funding valuation.

## 1. Significant Accounting Policies - (Continued)

**Derivatives**

Derivative contracts are financial contracts, the value of which is derived from changes in underlying assets, interest rates, foreign exchange rates, commodities or indices. Market prices are used for exchange-traded derivatives such as futures. Where quoted market prices are not available, appropriate valuation techniques are used to determine fair value. Derivative contracts are held by the Fund and include foreign exchange forward contracts. Forward currency contracts are valued daily based on the prevailing forward exchange rate for the underlying currencies.

**Investments**

Investments of the Fund are stated at fair value with any realized and unrealized gains reported in the Statement of Changes in Net Assets Available for Benefits. Transaction costs are expensed.

Where ascertainable, fair values are based on public market prices or quotations from investment managers.

The fair value of cash and short-term investments approximates cost plus accrued interest due to their short-term nature. The fair value of direct investments managed by investment managers is based on closing quoted market prices. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represents the Fund's proportionate share of underlying net assets at fair values. Alternative fixed income, infrastructure, private equities and real estate investments are valued based on net assets or partnership unit values obtained from the investment administrator and are reviewed by management. The underlying investments may apply valuation techniques such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate.

Investment transactions are recorded on a trade date basis.

Investment income includes interest, dividends, gain (loss) on sale of investments and fair value year end adjustments. Dividend income is recognized based on the ex-dividend date. Interest income is recognized on the accrual basis as earned. The gain (loss) on sale of investments is determined by the excess (shortfall) of proceeds over average cost of investments sold. The fair value adjustments represent the unrealized appreciation (depreciation) in fair value of the investments held at the year end less the related unrealized appreciation (depreciation) at the previous year end.

**Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value and all other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

**Foreign Currency**

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

**December 31, 2023**

## 1. Significant Accounting Policies - (Continued)

**Use of Estimates**
The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates as additional information becomes available in the future.

**Income Tax Status**
The pension plan is registered pursuant to the Alberta Employment Pension Plans Act and the Income Tax Act (Canada), and is not subject to income taxes.

## 2. Investments

(a) Investments by Manager

| | 2023 | 2022 |
|---|---|---|
| Direct Investments | | |
| Letko, Brosseau & Associates | **$ 62,563,677** | $ 78,109,438 |
| Cash and cash equivalents | **22,103,906** | 24,383,436 |
| | **84,667,583** | 102,492,874 |
| Pooled Funds | | |
| Morgan Stanley Investment Management Limited - foreign equities | **351,947,703** | 307,150,993 |
| RBC Global Asset Management Inc. (PH&N Institutional) - Canadian bonds | **308,251,452** | 280,695,411 |
| Connor, Clark & Lunn Investment Management Ltd. - Canadian equities | **202,736,208** | 180,824,745 |
| Orbis Institutional Global Equity LP - foreign equities | **178,465,432** | 179,903,918 |
| QV Investors Inc. - Canadian equities | **169,275,689** | 161,641,914 |
| | **1,210,676,484** | 1,110,216,981 |
| Alternative Fixed Income | | |
| Northleaf Capital Partners (Canada) Ltd. | **110,106,181** | 101,597,122 |
| Neuberger Berman Investment Advisors LLC | **90,275,385** | 67,196,666 |
| White Oak Global Advisors LLC | **79,292,889** | 78,182,476 |
| MGG Investment Group LP | **55,713,381** | 45,231,076 |
| Trez Capital Fund Management LP (TCYT) | **50,723,201** | 60,422,625 |
| DRC Savills Investment Management LLP | **16,138,833** | 20,421,682 |
| Brookfield Asset Management Inc. | **15,549,577** | 19,971,713 |
| Trez Capital Finance Fund Limited Partnerships | **2,025,581** | 7,319,837 |
| Wellington Financial LP | **120,445** | 217,771 |
| Marathon Asset Management | **-** | 589,148 |
| | **419,945,473** | 401,150,116 |

## 2. Investments (Continued)

(a) Investments by Manager - (Continued)

| | 2023 | 2022 |
|---|---|---|
| Infrastructure | | |
| Macquarie Infrastructure Partners Inc. | **130,780,129** | 97,695,802 |
| Brookfield Asset Management Inc. | **86,215,388** | 82,363,462 |
| IFM Global Infrastructure (Canada) B, L.P. | **50,879,469** | 47,816,029 |
| JP Morgan Asset Management Inc. | **44,423,427** | 43,619,976 |
| Infracapital Partners (NT) II LP | **10,630,985** | 8,921,233 |
| | **322,929,398** | 280,416,502 |
| Private Equities | | |
| Northleaf Capital Partners GP Ltd. | **72,920,643** | 77,798,670 |
| Brookfield Asset Management Inc. | **47,302,261** | 64,820,147 |
| Cyprium Investment Partners LLC | **45,089,947** | 44,946,419 |
| Clairvest Equity Partners Limited Partnerships | **38,729,547** | 46,980,987 |
| Neuberger Berman Investment Advisors LLC | **27,003,666** | 8,286,511 |
| MB Global Partners | **17,926,921** | 18,132,879 |
| | **248,972,985** | 260,965,613 |
| Real Estate | | |
| Brookfield Asset Management Inc. | **145,418,543** | 173,549,607 |
| CBRE Investment Management Fund S.à.r.l. | **43,695,936** | 48,801,712 |
| Manulife Financial | **59,902,787** | 64,646,245 |
| | **249,017,266** | 286,997,564 |
| Derivative Contracts | | |
| CIBC Capital Markets | **-** | 3,098,138 |
| | **$2,536,209,189** | $2,445,337,788 |

(b) Statement of Investment Policies and Procedures

| | Fund Policy Range % | Target Allocation % | 2023 % | 2022 % |
|---|---|---|---|---|
| Canadian equities | 10 - 25 | 15.0 | **17.1** | 17.1 |
| Foreign equities | 10 - 30 | 19.0 | **20.9** | 19.9 |
| Private equities | 5 - 18 | 12.0 | **9.8** | 10.7 |
| Short term | 0 - 4 | - | **0.9** | 1.2 |
| Canadian bonds | 10 - 25 | 17.0 | **12.2** | 11.5 |
| Alternative fixed income | 10 - 25 | 17.0 | **16.6** | 16.4 |
| Real estate | 5 - 15 | 10.0 | **9.8** | 11.8 |
| Infrastructure | 5 - 15 | 10.0 | **12.7** | 11.4 |
| | | 100.0 | **100.0** | 100.0 |

The actual asset allocation may differ from the target allocation due to commitments made and not yet called by the applicable investment manager.

## 2. Investments (Continued)

(c) Commitments

The Fund has the following aggregate commitments for alternative fixed income, infrastructure, private equity and real estate investments as at December 31, 2023:

| | Aggregate Commitments | Capital Calls to Dec. 31, 2023 | Balance Outstanding |
|---|---|---|---|
| Foreign | | | |
| USD | $970,000,000 | $687,981,237 | $282,018,763 |
| GBP | £45,500,000 | £35,706,200 | £9,793,800 |
| EUR | €26,000,000 | €$25,869,940 | €$130,060 |
| Canadian | | | |
| CAD | $36,100,000 | $31,522,576 | $4,577,424 |

## 3. Accounts Payable and Accrued Liabilities

The 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. Included in accounts payable and accrued liabilities are $128,655 (2022 - $124,569) due to other pension funds with respect to reciprocal transfers.

## 4. Due to The Edmonton Pipe Industry Health and Welfare Fund

The amount due to The Edmonton Pipe Industry Health and Welfare Fund (the "Welfare Fund") represents expenditures paid by the Welfare Fund on behalf of the Fund, net of cash transfers. The funds are related through common board membership.

## 5. Pension Obligation

a) Changes in Pension Obligation

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

| | **2023** | 2022 |
|---|---|---|
| Discount rate, beginning of year | **6.73%** | 5.74% |
| Discount rate, end of year | **7.03%** | 6.73% |
| Investment return, actual [1] | **6.67%** | 0.09% |
| Provision for adverse deviation, beginning of the year | **17.65%** | 28.90% |
| Provision for adverse deviation, end of the year | **28.15%** | 17.65% |
| Hours worked - assumption | **6,500,000** | 7,000,000 |
| Hours worked - actual | **8,676,207** | 6,696,288 |

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

## 5. Pension Obligation (Continued)

a) Changes in Pension Obligation - (Continued)

The Pension Plan's change in pension obligation is as follows:

| | 2023 (000s) | 2022 (000s) |
|---|---|---|
| Pension obligation before provision for adverse deviation, beginning of year | $ 1,321,665 | $ 1,402,656 |
| Benefit Improvement, effective January 1st | 53,168 | 59,102 |
| Valuation adjustments | 74 | - |
| | 1,374,907 | 1,461,758 |
| Benefits accumulated | 26,610 | 24,629 |
| Pension credits and reciprocal transfers in | 308 | 4,047 |
| Reciprocal transfers out | (9) | (41) |
| Benefits paid | (93,670) | (89,517) |
| Interest | 90,285 | 82,158 |
| Impact of assumption changes - end of year | (48,120) | (174,266) |
| Net experience losses (gains) - end of year | 2,028 | 12,897 |
| Pension obligation before provision for adverse deviation | 1,352,339 | 1,321,665 |
| Provision for adverse deviation | 343,422 | 207,369 |
| Pension obligation, end of year | $ 1,695,761 | $ 1,529,034 |

**5. Pension Obligation (Continued)**

b) Funding Valuation

An actuarial valuation of the pension obligation of the Pension Plan was carried out by Mercer, the Pension Plan's actuaries, at December 31, 2023 to determine funding requirements for the Pension Plan.

The Pension Plan's actuaries updated the actuarial valuation of the pension obligation of the Pension Plan based on membership data at December 31, 2023 as provided by the Pension Plan. The Pension Plan's actuaries applied tests for internal consistency, as well as for consistency with the data used for the December 31, 2023 actuarial valuation for funding purposes, and this updated information was used to calculate the Pension Plan's pension obligation in Note 5(a).

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

| | **2023 (000s)** | 2022 (000s) |
|---|---|---|
| Net assets available for benefits | **$ 2,586,000** | $ 2,474,664 |
| Actuarial present value of accrued benefits, excluding a provision for adverse deviation for: | | |
| Active members | **368,004** | 385,252 |
| Pensioners and survivors | **804,406** | 807,670 |
| Disabled pensioners | **38,111** | 42,688 |
| Deferred pensioners | **122,609** | 119,711 |
| Defined contribution balances for active retired members | **19,209** | 19,586 |
| | **1,352,339** | 1,374,907 |
| Funding excess as determined on a going concern basis | **1,233,661** | 1,099,757 |
| Net provision for adverse deviation ("PfAD") | **(343,422)** | (208,279) |
| Accessible going concern excess | **$ 890,239** | $ 891,478 |
| Funded ratio (after PfAD) | **166%** | 165% |

The next actuarial valuation of the Pension Plan must be carried out no later than December 31, 2026.

### 6. Investment Income

| | 2023 | 2022 |
|---|---|---|
| Interest and other | **$ 37,264,999** | $ 56,601,781 |
| Dividends | **25,575,164** | 23,713,814 |
| Gain on sale of investments | **116,600,625** | 77,970,406 |
| Unrealized fair value adjustments | **13,693,663** | (129,107,472) |
| | **$ 193,134,451** | $ 29,178,529 |

### 7. Administrative Expenses

Common expenses are allocated 60% to the Pension Fund and 40% to the Health and Welfare Fund.

| | 2023 | 2022 |
|---|---|---|
| Direct expenses: | | |
| Administration and services provider fees | **$ 804,243** | $ 706,454 |
| Actuarial and consulting fees | **212,331** | 167,706 |
| Investment consulting fees | **194,901** | 179,214 |
| Audit | **76,448** | 99,000 |
| Independent trustees' fees | **87,035** | 81,218 |
| Legal | **94,657** | 35,899 |
| Fiduciary insurance | **29,468** | 25,515 |
| Registration | **27,668** | 27,368 |
| Other expenses | **22,830** | 20,850 |
| | **1,549,581** | 1,343,224 |
| Common expenses shared with the Welfare Fund: | | |
| Rent | **127,932** | 127,932 |
| Office expenses | **138,964** | 99,527 |
| Postage | **53,189** | 43,059 |
| Annual report to members | **27,137** | 23,612 |
| Travel, conferences and meeting expenses | **37,896** | 20,645 |
| Other shared expenses | **7,627** | 3,730 |
| Insurance | **455** | 750 |
| | **393,200** | 319,255 |
| Less Welfare Fund share | **(157,280)** | (127,702) |
| | **235,920** | 191,553 |
| Total | **$ 1,785,501** | $ 1,534,777 |

The Fund has engaged McAteer - Employee Benefit Plan Services Limited to provide administration services to the Fund.

## 8. Financial Instrument Risks

The Fund may be exposed to a variety of direct and indirect financial risks including credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk) as a result of its investment activities. These risks have not changed from the prior year.

### Credit Risk

*Credit risk* is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Fund. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. The Fund also has credit risk to the extent that contributions receivable are not collectible. The Fund manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

While the Fund may be exposed to credit risk with respect to bonds, it manages this risk by diversifying fixed income investments by issuer, market and debt ratings as specified in the Fund's Statement of Investment Policies and Procedures. As at December 31, the Fund's fixed income investments (excluding alternative fixed income investments) by credit rating are as follows:

| | **2023 Fixed Income Investments** | **% of Total** | 2022 Fixed Income Investments | % of Total |
|---|---|---|---|---|
| Cash and short term | **$ 14,461,206** | **5** | $ 14,809,089 | 5 |
| AAA | **37,100,321** | **12** | 28,473,981 | 10 |
| AA | **115,829,776** | **37** | 104,414,346 | 37 |
| A | **58,102,153** | **19** | 56,664,489 | 20 |
| BBB | **51,257,866** | **17** | 43,521,015 | 16 |
| < BB | **14,648,391** | **5** | 13,912,142 | 5 |
| Mortgages and other | **16,851,739** | **5** | 18,900,349 | 7 |
| | **$ 308,251,452** | **100** | $ 280,695,411 | 100 |

### Liquidity Risk

The Fund is also exposed to *liquidity risk* in the event that investments must be sold quickly. The Fund's assets are invested significantly in securities that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

The Fund's investments in infrastructure, real estate, private equity and alternative fixed income may be exposed to higher degree of liquidity risk.

## 8. Financial Instrument Risks (Continued)

**Market Risk**

*Interest rate risk* arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Fund invests in interest-sensitive investments such as bonds and other fixed income investments that will fluctuate due to changes in prevailing levels of market interest rates. The Fund mitigates this risk by investing in interest-bearing investments with varying maturity dates in accordance with its Statement of Investment Policies and Procedures. As at December 31, the terms to maturity of interest-bearing investments (excluding alternative fixed income investments) is as follows:

| **December 31, 2023 (millions)** | **Less than 1 year** | **1 - 5 years** | **5 - 10 years** | **> 10 years** | **Total** |
|---|---|---|---|---|---|
| Fixed income | **$ 26** | **$ 41** | **$ 60** | **$ 181** | **$ 308** |

| December 31, 2022 (millions) | Less than 1 year | 1 - 5 years | 5 - 10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Fixed income | $ 17 | $ 43 | $ 53 | $ 168 | $ 281 |

As at December 31, 2023, had prevailing interest rates decreased or increased by 1%, with all other variables held constant, net assets available for benefits would have increased or decreased by approximately $41,400,000 (2022 - $36,300,000). The Fund's sensitivity to interest rate risk was estimated using the weighted average duration of the fixed income investments. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

*Currency risk* is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. The Fund's allocation of holdings in foreign currency investments are summarized in Note 2. The Fund may partially mitigate this risk by the use of foreign exchange forward contracts. As at December 31, 2023, the Fund had not entered into any foreign exchange contracts.

As at December 31, 2023, had the Canadian dollar appreciated or depreciated by 5% relative to other currencies, with all other variables held constant, net assets available for benefits would have decreased or increased, respectively by approximately $57,400,000 (2022 - $61,300,000).

## 8. Financial Instrument Risks (Continued)

**Market Risk** - (Continued)
*Other price risk* is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Fund manages market risk by diversifying investments in accordance with the Fund's Statement of Investment Policies and Procedures. As at December 31, 2023, had market prices, including pooled equity and alternative investments, increased or decreased by 10%, the net assets available for benefits of the Fund would have increased or decreased, respectively, by approximately $220,585,000 (2022 - $214,026,000).

**Financial Instruments Fair Value Hierarchy**
Disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of the measurement date is required. The three levels are defined as follows:

Level 1:
For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2:
For securities valued based on inputs, other than quoted prices in active markets for identical assets.

Level 3:
For securities valued based on inputs that are based on unobservable market data.

The following table represents a summary of investments held by level:

| | **2023** | 2022 |
|---|---|---|
| Level 1 - equity pooled funds and cash | **$ 986,695,284** | $ 932,014,444 |
| Level 2 - short-term notes and fixed income, foreign currency contracts | **308,648,783** | 283,793,549 |
| Level 3 - private equity, real estate, infrastructure and alternative fixed income | **1,240,865,122** | 1,229,529,795 |
| | **$ 2,536,209,189** | $2,445,337,788 |

## 8. Financial Instrument Risks (Continued)

**Financial Instruments Fair Value Hierarchy** - (Continued)

The schedule below presents a reconciliation of Level 3 investments measured at fair value using unobservable inputs during the year. Fair value adjustments include realized and unrealized gains (losses) which are included in investment income.

| | 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | **$1,229,529,795** | $1,100,948,670 |
| Purchases | **153,755,025** | 142,239,946 |
| Sales | **(86,549,743)** | (59,043,231) |
| Fair value adjustments | **(55,869,955)** | 45,384,410 |
| | **$1,240,865,122** | $1,229,529,795 |

There were no transfers between levels during the year.

## 9. Capital Management

The Fund considers its capital to be its net assets available for benefits. The Fund's objective when managing its capital is to accumulate funds to provide retirement benefits to pension plan members, as further described in Note 5 and 10.

The Fund's ability to meet its objective is affected primarily by the level of retirement benefits provided, contributions negotiated in the applicable collective agreements and by the return on the Fund's investment assets, which are invested in accordance with the Fund's Statement of Investment Policies and Procedures, most recently amended and approved effective December 14, 2023 and within the applicable regulatory limits.

The Statement of Investment Policies and Procedures was established to ensure the Fund's assets are invested in a prudent and effective manner so that they will be sufficient to meet the obligations of the pension plan as they fall due. The trustees monitor investment managers to ensure that they achieve the expected returns relative to benchmark performance and to ensure the investment assets are invested within acceptable risk levels. The primary long-term overall investment objective of the Fund is to achieve a minimum annual rate of return of 7.03% per annum (Note 5 (a)), representing the discount rate assumed in the pension plan's actuarial calculation of the pension obligation plus a "value added target" of 1.50%. Actual results related to the Fund's investment portfolio are disclosed in Note 6.

There have been no changes in what the Fund considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

**10. Pension Plan Information**

Description of Pension Plan Benefits

Actual benefits including conditions and limitations thereto are governed by the provisions of the pension plan text and reference should be made to the pension plan text for more detailed information, including details pertaining to the pension formula used to determine a retiring member's monthly benefit.

The following is a brief summary of the key aspects of the pension plan, including pension plan benefits:

The pension plan's registration number with Canada Revenue Agency and Alberta Treasury Board and Finance is 0546028.

(a) Eligibility for membership:

The pension plan covers employees of the Party Employers that are bound by the Collective Agreement to contribute to the Fund and other parties as determined by the provisions of the pension plan text.

(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 pension 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

All members, on whose behalf employers contribute, participate in the pension plan. Contributions to the pension plan are paid pursuant to collective agreements.

(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.

**10. Pension Plan Information (Continued)**

(e) Retirement benefits

(i) Normal retirement

If a member retires on their normal retirement date, the member will be entitled to the pension that was accrued prior to retirement.

(ii) Early retirement pension

If a member retires early, they will be entitled to a pension that is calculated the same way as for a normal retirement. If the member does not qualify for the special early retirement pension:

1. Their earned pension is actuarially reduced from age 65; or
2. For a qualified member retiring after age 60, their earned pension is reduced by 3 percent for each year that their actual retirement age precedes the normal retirement age.

A qualified member retiring after attaining age 58, but prior to their normal retirement age, is entitled to a special early retirement pension if the sum of their age and years of credited service equal at least 80 points for ages 58 and 59, and 75 points after age 60, provided they have at least 15 years of credited service. The special early retirement pension is an unreduced pension commencing on their early retirement date.

(iii) Postponed retirement pension

A member may elect to postpone retirement. In that case, benefits continue to accrue. Upon the member's actual retirement date, they will be entitled to their accrued benefit without any actuarial adjustment or increase.

(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.

**10. Pension Plan Information (Continued)**

(f) Survivor benefits - (Continued)

(ii) Death while in receipt of a pension

For a member in receipt of a pension who does not have a spouse at the time of their death, all payments would cease upon the death of the member. Effective with retirements on or after March 1, 2014 the normal form of pension for a member without a spouse at retirement is Life, guaranteed 10 years.

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

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

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

(g) Termination benefits

A member terminating membership in the Fund after seven years of vesting service is entitled to receive a deferred pension from the Fund. A member terminating membership in the Fund after five years of vesting service is entitled to a deferred pension from the Fund in respect of their credited service after October 1, 1986. A member terminating their membership in the Fund after two years of vesting service is entitled to a deferred pension from the Fund in respect of their credited service after October 1, 1999. Effective September 1, 2014, a member terminating membership in the Fund is entitled to a deferred pension from the Fund.

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.

## 10. Pension Plan Information (Continued)

(h) Disability

A member who is in receipt of benefits from the long-term disability plan sponsored by the 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 Fund 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 Fund, for work periods after the retired members' initial retirement date, are held with the general assets of the 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 Fund'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. As at December 31, 2023, the defined contribution investments of $19,200,000 (2022 - $19,600,000) are included in the Fund's investments presented in Note 2.

## 11. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

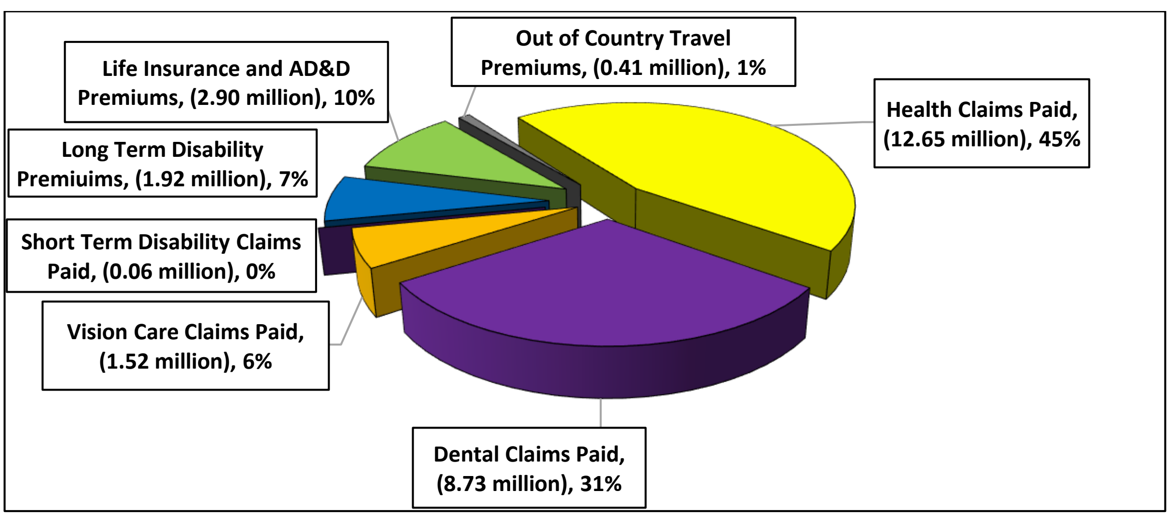
## THE EDMONTON PIPE INDUSTRY HEALTH AND WELFARE FUND
## HEALTH AND WELFARE FUND HIGHLIGHTS AND COMMENTARY

The Trustees of the Health and Welfare Fund have the objective of providing a plan of benefits to covered Members to help offset normal health care expenses. In addition, the 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, 2023, on average, the Health and Welfare Plan provided benefits to 4,661 active Members; 1,657 retired Members; 116 disabled Members and 443 widows of Members. The Health and Welfare Plan also provided 70 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 2023 total Health and Welfare Fund benefit payments and premiums were $28.1 million. The chart below illustrates the Health and Welfare Fund expenses in Fiscal 2023:



## 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.

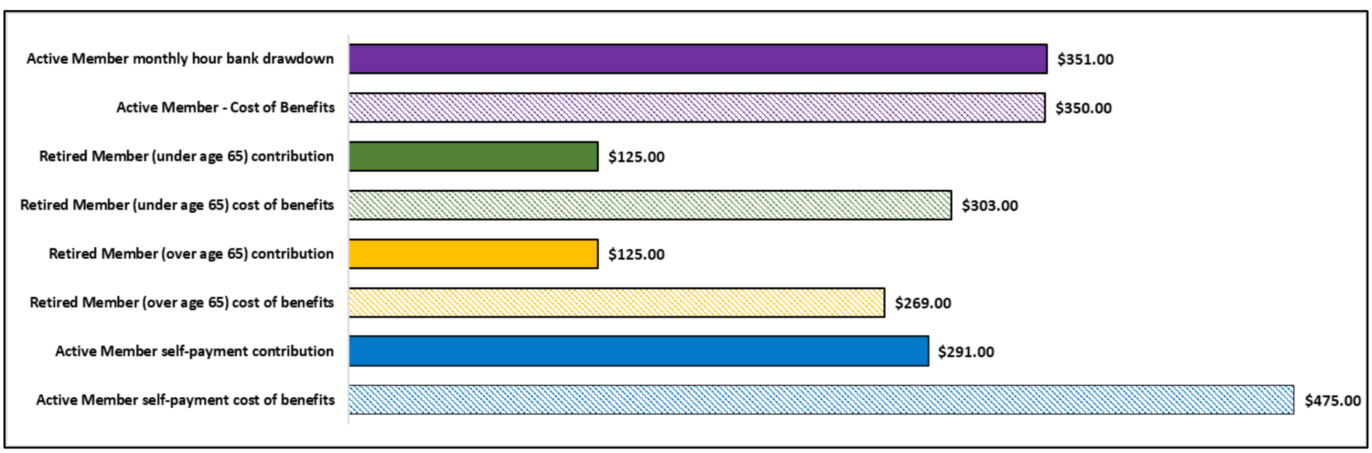
## Funding of Welfare Plan Benefits

At December 31, 2023 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 $22.7 million and Retirees/Disabled and Widows of $18.7 million, the Health and Welfare Fund held unallocated net assets available for benefits of $71.7 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, 2023.



## 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 2022 to 2023:

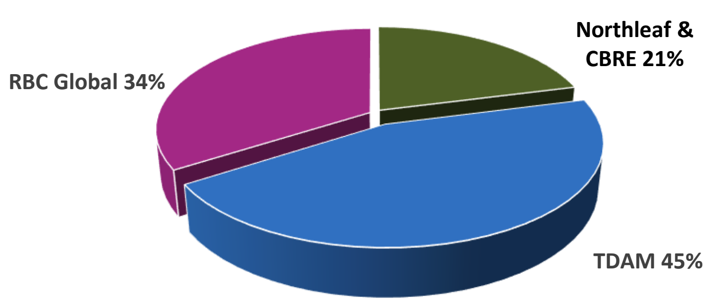
| Classification | Fiscal 2022 Average Monthly Cost of Benefits | Fiscal 2023 Average Monthly Cost of Benefits | Change in Cost of Benefits 2022 to 2023 |
|---|---|---|---|
| Active Members | $334.00 | $350.00 | 4.8% |
| Retired Members under age 65 | $285.00 | $303.00 | 6.3% |
| Retired Members over age 65 | $276.00 | $269.00 | -2.6% |
| Active Members using self-payment | $415.00 | $475.00 | 14.5% |

## 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 $5.6 million in Fiscal 2023 ($0.4 million in Fiscal 2022). At December 31, 2023, assets managed by TD Asset Management (TDAM) had a market value of $48.8 million. The assets managed by RBC Global Asset Management had a market value of $36.8 million. The assets Managed by CBRE Global and Northleaf Capital Partners had a market value of $22.8 million.

A snapshot of where the Health and Welfare Fund's assets are invested at December 31, 2023 is as shown in the graph below:



# The Edmonton Pipe Industry Health and Welfare Fund
## Financial Statements
**For the year ended December 31, 2023**

# The Edmonton Pipe Industry Health and Welfare Fund
## Financial Statements
**For the year ended December 31, 2023**

**Contents**

# Independent Auditor's Report

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

**Qualified Opinion**
We have audited the financial statements of The Edmonton Pipe Industry Health and Welfare Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2023, and 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, 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 Qualified Opinion**
As agreed to by the Trustees of the Fund and in common with many benefit fund audits, the scope of our audit was limited to the records of the Fund and therefore, did not extend to an examination of the payroll records of the contributing employers. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to contribution revenue and increase (decrease) in net assets for the years ended December 31, 2023 and 2022, assets and liabilities as at December 31, 2023 and 2022 and net assets available for benefits as at January 1 and December 31 for both the 2023 and 2022 years.

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 report. We are independent of the Fund 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 of our qualified audit opinion.

**Other Matter**
The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 11, 2023.

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

In preparing the financial statements, management is responsible for assessing the Fund’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 Fund or to cease operations, or has no realistic alternative but to do so.

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

## Independent Auditor's Report (Continued)

**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 these 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 Fund'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 Fund'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 Fund 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
May 30, 2024

# The Edmonton Pipe Industry Health and Welfare Fund
## Statement of Financial Position

| December 31 | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 4,636,656** | $ 2,800,119 |
| Investments (Note 2) | **108,463,731** | 107,920,509 |
| Contributions receivable | **1,863,570** | 1,796,980 |
| Accounts receivable | **2,179,795** | 722,416 |
| Prepaid expenses | **2,416,745** | 2,416,649 |
| Due from Edmonton Pipe Industry Pension Trust Fund (Note 3) | **88,529** | 50,980 |
| | **119,649,026** | 115,707,653 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 4) | **2,622,216** | 2,403,378 |
| Self funded benefits payable | **500,568** | 511,041 |
| Hour Bank (Note 5) | **22,706,287** | 20,834,416 |
| | **25,829,071** | 23,748,835 |
| **Net assets available for benefits** (Note 6) | **$93,819,955** | $ 91,958,818 |

On behalf of the Board:

_______________________ Trustee

_______________________ Trustee

## The Edmonton Pipe Industry Health and Welfare Fund
## Statement of Changes in Net Assets Available for Benefits

| **For the year ended December 31** | **2023** | 2022 |
|---|---|---|
| **Increase in assets** | | |
| Contributions | **$24,159,241** | $20,675,950 |
| Reciprocal transfers, net | **4,180,720** | 2,801,677 |
| | **28,339,961** | 23,477,627 |
| Investment and other income (Note 7) | **5,559,577** | 380,401 |
| Income tax recovery | **-** | 576,086 |
| | **33,899,538** | 24,434,114 |
| **Decrease in assets** | | |
| Benefit costs | | |
| Health, dental, vision and short-term disability claims | **22,877,984** | 21,903,135 |
| Long-term disability premiums | **1,917,043** | 1,994,918 |
| Life insurance premiums | **1,799,768** | 1,497,046 |
| Accidental death and dismemberment premiums | **191,020** | 188,102 |
| Claims experience deficit | **893,824** | 687,426 |
| Out-of-country insurance premiums | **409,954** | 403,734 |
| Members' optional life insurance premiums | **25,962** | 26,899 |
| | **28,115,555** | 26,701,260 |
| Increase in hour bank (Note 5) | **1,871,871** | 2,143,424 |
| Decrease in provision for unpaid claims | **(10,473)** | (75,169) |
| Total benefit costs | **29,976,953** | 28,769,515 |
| Fund management expenses (Note 8) | **1,693,617** | 1,557,083 |
| Investment services and custodial fees | **367,831** | 363,631 |
| Total expenses | **2,061,448** | 1,920,714 |
| | **32,038,401** | 30,690,229 |
| **Increase (decrease) in net assets** | **1,861,137** | (6,256,115) |
| **Net assets available for benefits**, beginning of year | **91,958,818** | 98,214,933 |
| **Net assets available for benefits**, end of year | **$ 93,819,955** | $ 91,958,818 |

# The Edmonton Pipe Industry Health and Welfare Fund
# Notes to Financial Statements

**December 31, 2023**

**1. Significant Accounting Policies**

**Purpose of the Fund**

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 488 (the "Union") and the Construction Labour Relations - an Alberta Association Mechanical (Provincial) Trade Division Pursuant to Registration Certificate No. 27 (the "Party Employers") entered into an agreement and declaration of trust dated May 7, 1965 which has been amended and restated as of August 13, 2007. It provides for the establishment, maintenance, investment and administration of a fund known as The Edmonton Pipe Industry Health and Welfare Fund (the "Fund"), created pursuant to The Edmonton Pipe Industry Health and Welfare Plan (the "Health and Welfare Plan") which includes all restatements and amendments to July 1, 2023. 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"). A new Collective Agreement was signed on November 20, 2022 and is effective until April 30, 2025.

The purpose of the Fund is to provide benefits to members of the Health and Welfare Plan upon eligibility as further described in Note 11.

**Basis of Presentation**

These financial statements are prepared using Canadian accounting standards for pension plans, which are applicable to all benefit plan financial statements. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply Canadian accounting standards for private enterprises.

**Contributions**

Contributions are recognized on an accrual basis in the accounts on the basis of hours reported by the employers at rates set in the collective agreements.

**Investments**

Investments of the Fund are stated at fair value with any realized and unrealized gain reported in the Statement of Changes in Net Assets Available for Benefits. Transaction costs are expensed.

Where ascertainable, fair values are based on public market prices or quotations from investment managers.

The fair value of cash and cash equivalents approximates cost plus accrued interest due to their short-term nature. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values. Limited partnership and other investments are valued based on net assets or partnership unit values obtained from the investment administrator and are reviewed by management.

Investment transactions are recorded on a trade date basis.

**December 31, 2023**

## 1. Significant Accounting Policies (Continued)

**Investments** (continued)
Investment income includes interest, dividends, gain (loss) on sale of investments and fair value year end adjustments. Dividend income is recognized based on the ex-dividend date. Interest income is recognized on the accrual basis as earned. The gain (loss) on sale of investments is determined by the excess (shortfall) of proceeds over the average cost of investments sold. The fair value adjustments represent the unrealized appreciation (depreciation) in fair value of investments held at year end less the related unrealized appreciation (depreciation) as at the previous year end.

**Self-funded Benefits Payable**
The self funded benefits payable represents an estimate of the amounts payable at year end for amounts incurred, but not yet reported. Amounts are determined by the Fund's administrator/consultant.

**Hour Bank**
The Hour Bank liability is calculated by dividing the accumulated Hour Bank hours as at December 31, 2023 by the monthly take-out to determine a "months of benefit" number, which is then multiplied by the monthly benefit cost as at December 31.

**Financial Instruments**
Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value and all other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

**Income Tax Status**
The Fund is an Employee Life and Health Trust pursuant to the provisions of the Income Tax Act. Accordingly, the net investment income earned by the Fund is subject to income tax to the extent investment income exceeds allowable expenses. In the year, there were sufficient deductions to result in no taxable income.

**Foreign Currency**
Foreign currency investments are translated to Canadian dollars as follows:

At the transaction date, each investment, income or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, the investments are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in investment income in the current period.

**Use of Estimates**
The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of changes in net assets available for benefits during the reporting period. Management estimates include the reserve for adverse claims fluctuations, reserve for future plan benefits and self-funded benefits payable. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 2. Investments

(a) Investments by investment manager

| | 2023 | 2022 |
|---|---|---|
| CBRE Investment Management Fund S.à.r.l. | | |
| Global Investment Partners Global Alpha Fund FCP FIS - Global Alpha Open Ended Fund | **$ 10,293,337** | $ 11,034,635 |
| Cash and cash equivalents | **9,345** | 4,172 |
| | **10,302,682** | 11,038,807 |
| Northleaf Capital Partners (Canada) Ltd. | | |
| Northleaf Senior Private Credit LP | **12,494,391** | 11,483,065 |
| RBC Global Asset Management Inc. (PH&N Institutional) | | |
| Mortgage Pension Trust Fund | **18,482,161** | 20,900,546 |
| Short Core Plus Bond Fund | **18,396,678** | 15,546,518 |
| | **36,878,839** | 36,447,064 |
| TD Asset Management Inc. | | |
| TD Emerald Low Volatility Canadian Equity Pooled Fund Trust | **22,476,362** | 21,255,482 |
| TD Emerald Low Volatility Global Equity Pooled Fund Trust | **26,311,457** | 27,696,091 |
| | **48,787,819** | 48,951,573 |
| | **$ 108,463,731** | $ 107,920,509 |

(b) Statement of Investment Policies and Procedures

| | Fund Policy Range % | Target Allocation % | 2023 % | 2022 % |
|---|---|---|---|---|
| Canadian equities | 0 - 50 | 20.0 | **20.7** | 19.7 |
| Foreign equities | 0 - 50 | 25.0 | **24.3** | 25.7 |
| Short term fixed income | 10 - 40 | 15.0 | **17.0** | 14.4 |
| Alternative fixed income | 0 - 20 | 10.0 | **11.5** | 10.6 |
| Mortgages | 15 - 40 | 20.0 | **17.0** | 19.4 |
| Real estate | 0 - 20 | 10.0 | **9.5** | 10.2 |
| | | 100.0 | **100.0** | 100.0 |

**December 31, 2023**

## 3. Due from Edmonton Pipe Industry Pension Trust Fund

The amount due from The Edmonton Pipe Industry Pension Trust Fund (the "Pension Fund") primarily represents shared expenses between the Fund and the Pension Fund for which the Fund remits payment for on behalf of both entities. The Fund and the Pension Fund are related by common board membership.

## 4. Accounts Payable and Accrued Liabilities

The 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. Included in accounts payable and accrued liabilities are $45,759 (2022 - $76,601) of reciprocal transfers payable.

## 5. Hour Bank

| | **2023** | 2022 |
|---|---|---|
| **Balance**, beginning of year | **$ 20,834,416** | $ 18,690,992 |
| Increase for the year | **1,871,871** | 2,143,424 |
| **Balance**, end of year | **$ 22,706,287** | $ 20,834,416 |

## 6. Net Assets Available for Benefits

Net assets available for benefits is comprised of the following:

**Year Ending December 31, 2023**

| | **Reserve for Adverse Claims Fluctuations** | **Reserve for Future Plan Benefits** | **Unallocated** | **Total** |
|---|---|---|---|---|
| **Balance,** beginning of year | **$ 3,285,470** | **$ 14,922,898** | **$ 73,750,450** | **$ 91,958,818** |
| Increase in net assets | **-** | **-** | **1,861,137** | **1,861,137** |
| Transfers between funds | **163,157** | **3,782,485** | **(3,945,642)** | **-** |
| **Balance,** end of year | **$ 3,448,627** | **$ 18,705,383** | **$ 71,665,945** | **$ 93,819,955** |

## 6. Net Assets Available for Benefits (Continued)

Year Ending December 31, 2022

| | Reserve for Adverse Claims Fluctuations | Reserve for Future Plan Benefits | Unallocated | Total |
|---|---|---|---|---|
| Balance, beginning of year | $ 3,127,159 | $ 13,844,700 | $ 81,243,074 | $ 98,214,933 |
| Decrease in net assets | - | - | (6,256,115) | (6,256,115) |
| Transfers between funds | 158,311 | 1,078,198 | (1,236,509) | - |
| Balance, end of year | $ 3,285,470 | $ 14,922,898 | $ 73,750,450 | $ 91,958,818 |

**Reserve for Adverse Claims Fluctuations**
The Fund has established a reserve for adverse claims fluctuations 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. The balance in this reserve may or may not be adequate to provide the coverage required.

**Reserve for Future Plan Benefits**
The Fund has established a reserve for future plan benefits to support the payment of benefits to retired, disabled and spouses of deceased members. The reserve for future plan benefits is based on the the average monthly actual cost of benefits for such group of persons for the 12 months ended December 31, 2023 multiplied by 60 months. These benefits are provided at the discretion of the Board of Trustees based on the financial position of the Fund. In the event that adjustments are required, the Trustees may amend benefits or allocate funds to/from the reserve.

## 7. Investment and Other Income

| | **2023** | 2022 |
|---|---|---|
| CBRE Investment Management Fund S.à.r.l. | | |
| Investment and other income | **$ 55,689** | $ 54,018 |
| Realized gains | **332,237** | 421,709 |
| Unrealized fair value adjustments | **(1,072,438)** | 407,823 |
| | **(684,512)** | 883,550 |
| Northleaf Capital Partners (Canada) Ltd. | | |
| Investment and other income | **1,224,842** | 822,769 |
| Realized gains | **(111,643)** | (27,912) |
| Unrealized fair value adjustments | **5,599** | 590,714 |
| | **1,118,798** | 1,385,571 |

**December 31, 2023**

## 7. Investment and Other Income (Continued)

| | 2023 | 2022 |
|---|---|---|
| RBC Global Asset Management Inc. (PH&N Institutional) | | |
| Investment and other income | **1,401,511** | 1,212,938 |
| Realized gain (loss) | **(625,586)** | (472,076) |
| Unrealized fair value adjustments | **1,567,844** | (2,481,577) |
| | **2,343,769** | (1,740,715) |
| TD Asset Management Inc. | | |
| Investment and other income | **1,590,545** | 1,731,549 |
| Realized gain (loss) | **2,344,002** | 5,793,484 |
| Unrealized fair value adjustments | **(1,581,330)** | (7,736,754) |
| | **2,353,217** | (211,721) |
| Bank interest | **255,771** | 63,716 |
| Other interest | **172,534** | - |
| | **428,305** | 63,716 |
| | **$ 5,559,577** | $ 380,401 |

## 8. Fund Management Expenses

Common expenses are allocated 60% to the Pension Fund and 40% to the Health and Welfare Fund.

| | 2023 | 2022 |
|---|---|---|
| Direct expenses: | | |
| Administration - claims | **$ 889,010** | $ 810,581 |
| - regular | **488,601** | 459,445 |
| Independent trustees' fees | **43,155** | 40,110 |
| Audit (recovery) | **(20,141)** | 40,480 |
| Investment and other consulting fees | **67,624** | 26,356 |
| Fiduciary insurance | **19,440** | 23,085 |
| Computer maintenance | **9,252** | 11,405 |
| Office and general | **37,666** | 17,919 |
| Legal | **1,730** | - |
| | **1,536,337** | 1,429,381 |

**December 31, 2023**

## 8. Fund Management Expenses (Continued)

| | 2023 | 2022 |
|---|---|---|
| Common expenses shared with the Pension Fund: | | |
| Rent | **127,932** | 127,932 |
| Office expenses | **138,964** | 99,527 |
| Postage | **53,189** | 43,059 |
| Annual report to members | **27,137** | 23,612 |
| Travel, conferences and meeting expenses | **37,896** | 20,645 |
| Other shared expenses | **7,627** | 3,730 |
| Insurance | **455** | 750 |
| | **393,200** | 319,255 |
| Less Pension Fund share | **(235,920)** | (191,553) |
| | **157,280** | 127,702 |
| Total | **$ 1,693,617** | $ 1,557,083 |

The Fund has engaged McAteer - Employee Benefit Plan Services Limited to provide administration services to the Fund.

## 9. Financial Instrument Risks

The Fund may be exposed to a variety of direct and indirect financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). These risks have not changed from the prior year.

**Credit Risk**

*Credit risk* is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Fund. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. The Fund also has credit risk to the extent that contributions receivable are not collectible. The Fund manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

## 9. Financial Instrument Risks (Continued)

**Credit Risk** - (continued)
While the Fund may be exposed to credit risk with respect to bonds and mortgage investments within the PH&N pooled funds, it manages this risk by diversifying fixed income investments in accordance with the Fund's investment policy approved by the Trustees. As at December 31, the Fund's interest bearing investments by credit rating within the PH&N pooled funds are as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Interest-bearing Investments** | **% of Total** | Interest-bearing Investments | % of Total |
| AAA | **$ 5,993,310** | **16** | $ 3,995,789 | 11 |
| AA | **928,981** | **3** | 1,288,260 | 4 |
| A | **3,138,302** | **10** | 3,768,342 | 10 |
| BBB | **5,640,113** | **15** | 5,058,420 | 14 |
| < BB | **800,212** | **2** | 968,014 | 3 |
| Mortgages | **16,190,774** | **43** | 17,407,411 | 47 |
| Cash and short-term | **4,187,147** | **11** | 3,990,828 | 11 |
| | **$ 36,878,839** | **100** | $ 36,477,064 | 100 |

**Liquidity Risk**
The Fund is also exposed to *liquidity risk* in the event that investments must be sold quickly. The Fund's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

The Fund’s investments in real estate, private debt and mortgages may be exposed to a higher degree of liquidity risk.

**Market Risk**
*Interest rate risk* arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Fund invests in interest-sensitive investments such as bonds and other fixed income investments that will fluctuate due to changes in prevailing levels of market interest rates. The Fund mitigates this risk by investing in interest-bearing investments with varying maturity dates.

As at December 31, the terms to maturity of interest-bearing investments within the PH&N pooled funds is as follows:

| **2023 (millions)** | **Less than 1 year** | **1 - 5 years** | **5 - 10 years** | **Total** |
|---|---|---|---|---|
| Fixed income | **$ 7** | **$ 22** | **$ 8** | **$ 37** |

| 2022 (millions) | Less than 1 year | 1 - 5 years | 5 - 10 years | Total |
|---|---|---|---|---|
| Fixed income | $ 8 | $ 20 | $ 8 | $ 36 |

## 9. Financial Instrument Risks (Continued)

**Market Risk** (continued)
As at December 31, 2023, had prevailing interest rates on the interest-bearing investments raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $1.0 million (2022 - $1.0 million). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the underlying investments in the pooled fund fixed income portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

*Currency risk* is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. As at December 31, 2023, had the Canadian dollar appreciated or depreciated by 5% relative to other currencies, with all other variables held constant, net assets available for benefits would have decreased or increased, respectively by approximately $1.1 million (2022 - $1.1 million).

*Other price risk* is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Fund manages market risk by investing amounts in accordance with the Fund's investment policy approved by the Board of Trustees. If market prices of equity, real estate and private debt investments had increased or decreased by 5% on December 31, 2023, the net assets available for benefits of the Fund would have increased or decreased, respectively, by approximately $3.6 million (2022 - $3.6 million).

**Financial Instruments Fair Value Hierarchy**
Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:
For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2:
For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3:
For securities valued based on inputs that are based on unobservable market data.

### 9. Financial Instrument Risks (Continued)

**Financial Instruments Fair Value Hierarchy** (continued)
As at December 31, the following table represents a summary of investments held by level:

| | **2023** | 2022 |
|---|---|---|
| Level 1 - cash and cash equivalents and equity pooled funds | **$ 48,797,164** | $ 48,951,573 |
| Level 2 - fixed income pooled funds | **18,396,678** | 15,546,518 |
| Level 3 - mortgage and real estate funds | **41,269,889** | 43,422,418 |
| | **$ 108,463,731** | $ 107,920,509 |

The schedule below presents a reconciliation of Level 3 investments measured at fair value using unobservable inputs during the year. Realized and unrealized gains are included in investment income.

| | **2023** | 2022 |
|---|---|---|
| Balance, beginning of year | **$ 43,422,418** | $ 41,302,933 |
| Reinvested distributions | **2,158,992** | 876,787 |
| Sales | **(3,762,000)** | - |
| Realized gains (losses) | **(303,513)** | 244,161 |
| Unrealized fair value adjustments | **(246,008)** | 998,537 |
| | **$ 41,269,889** | $ 43,422,418 |

### 10. Capital Management

The Fund considers its capital to be its net assets available for benefits. The Fund's objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide benefits to eligible members. The Trustees monitor the Fund's financial position and adjust benefits as required to ensure its objective is met.

There have been no changes in what the Fund considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

## 11. Fund Information

Description of the Plan benefits:

Actual benefits, including conditions and limitations thereto, are governed by the provisions of the Plan and reference should be made to the Plan documents for more detailed information.

The benefits of the Plan are provided to eligible members of the Plan and their dependants. Members and dependants are covered on the first day of the month following the month in which 320 hours have been accumulated in a member's Hour Bank. Such members are continuously covered provided that their Hour Bank contains at least 130 hours. Coverage is terminated when a member's Hour Bank falls below 130 hours with two exceptions: it is not terminated if the member makes self-contributions to the Fund, and it is not terminated in the event of disability under the Disability Credit Policy as the Plan credits the member's Hour Bank to maintain eligibility for a period of up to twenty four months at which point the member is then eligible to self pay. After termination, members can become eligible for benefits again by accumulating a balance of at least the monthly draw down amount in their Hour Bank. The maximum number of hours that members may accumulate in their Hour Bank is 2,600 hours.

The benefits of the Plan can be summarized as follows:

(1) Life insurance
(2) Accidental death and dismemberment
(3) Weekly indemnity - members only (self-funded)
(4) Long term disability - members only
(5) Emergency travel assistance
(6) Major medical (self-funded)
(7) Dental (self-funded)
(8) Vision care (self-funded)

## 12. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the current year's financial statement presentation.