

2016
ANNUAL REPORT

**For the Members of
Alberta Refrigeration Industry
Pension Plan**

Directory

The Alberta Refrigeration Industry Pension Trust Fund
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Website: www.alberta-refrigeration.com
Employment Pension Plans Act Registration Number – 42899
Income Tax Act Registration Number – 0422972

Board of Trustees

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Executive Administrator – RWT Consulting

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**ALBERTA REFRIGERATION INDUSTRY
PENSION PLAN
AND
PENSION TRUST FUND**

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Report of the Board of Trustees

The Alberta Refrigeration Industry Trustees are pleased to present the Pension Trust Fund Annual Report to its members for the fiscal year ended April 30, 2016. The 2016 Annual Report provides an accounting to the Members of the highlights and activities for the Fund from May 1, 2015 to April 30, 2016.

Board of Trustees

The composition of the Board remained unchanged with the Union Trustees being re-elected to 3 year terms in 2016.

Our Trust Agreement is the key governance document for the Fund and sets out the roles and responsibilities of the Trustees. In addition, the document establishes that the Board of Trustees shall consist of an equal number of Employer Trustees and Union Trustees. The Board elects its own Co-Chairmen and all decisions made require a majority vote of the Trustees.

The Board of Trustees met 6 times over the 12 months ended April 30, 2016.

Pension Trust Fund

As at April 30, 2016, the Pension Fund had net assets available for benefits of \$94.7 million, an accumulated surplus of \$9.1 million and a going concern funded ratio of 111%.

At the end of Fiscal 2015 the Fund had net assets available for benefits of \$93.6

million with an accumulated surplus of \$7.8 million and a going concern funded ratio of 110%.

For the year ended April 30, 2016 the Fund earned a rate of return of 1.7% (8.4% for Fiscal 2015) net of all fees.

It is important to note that the last actuarial valuation of the Plan was performed in 2014, and the actuary has extrapolated the results forward to April 30, 2016. The actuarial investment earnings assumption of the plan is 5.75%.

For more information about the Pension Plan's funding status at the end of Fiscal 2016, reference should be made to the Actuarial and Financial Statement sections of this Report.

Through contributions the Fund had 1.233 million pension hours being accrued by members for the year ended April 30, 2016.

Our commitment to the Members is to protect the benefits provided to you by the Pension Plan. We strive to accomplish this protection by continuing to manage the Pension Plan under a prudent investment strategy and to bring into play all of the resources we believe are appropriate to be a financially secure pension plan in the Province of Alberta.

The Trustees always use caution when examining the Plan's economic assumptions. We believe that taking this approach helps to reduce the risk Plan

Members bear. Pension benefits are always target benefits – they can change if funding cannot be meet legislated standards.

Conservatism in our economic assumptions should provide some margin to protect the Plan in times of economic uncertainty. We have to balance conservatism in funding against the benefits the Plan can provide. The Trustees believe that their processes have helped Members to be confident in the benefits provided by the plan.

Diversification of the Fund’s assets is critical to the success of the Plan and Fund. The Trustees continue to review the Pension Fund’s investment manager structure and asset mix. Our review is always conducted using the due diligence information available and the guidance of the Plan’s professional advisors. The Plan’s asset mix is set with an understanding of the Plan’s liabilities. Our asset mix also takes into consideration the risk and return profiles of major asset classes.

The Trustees regularly review, and amend when deemed necessary the Statement of Investment Policies and Procedures (SIPP). The SIPP was last amended in June 2015 with the most significant changes being made to the Asset Mix of the Fund.

All the Fund’s investments are managed by professional investment managers.

The investment managers are measured on an ongoing basis and compared to their peers by an independent party. The Trustees regularly meet with the investment managers.

General Comments

We certainly value all of the services delivered to the beneficiaries by our knowledgeable front line administration staff, from general inquiries to the preparation and delivery of retirement documents and benefits. The Trustees thank all of our service providers who continue to administer this plan with care and diligence for our members.

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

Submitted on behalf of the Trustees by,



Tom Wilkinson, P.Eng, BASc

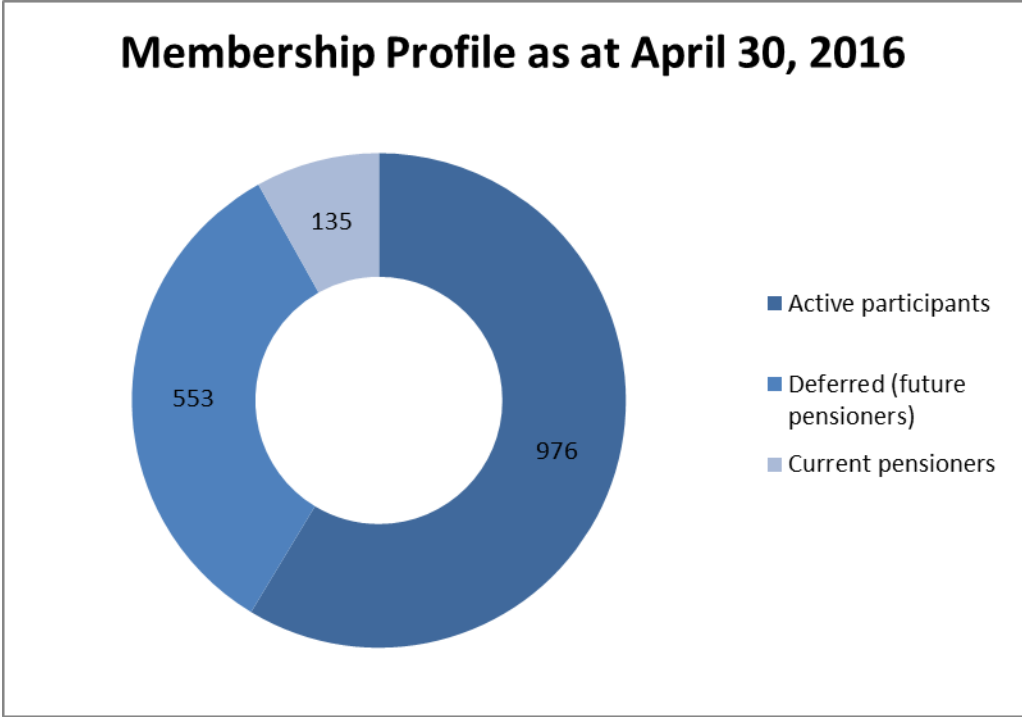


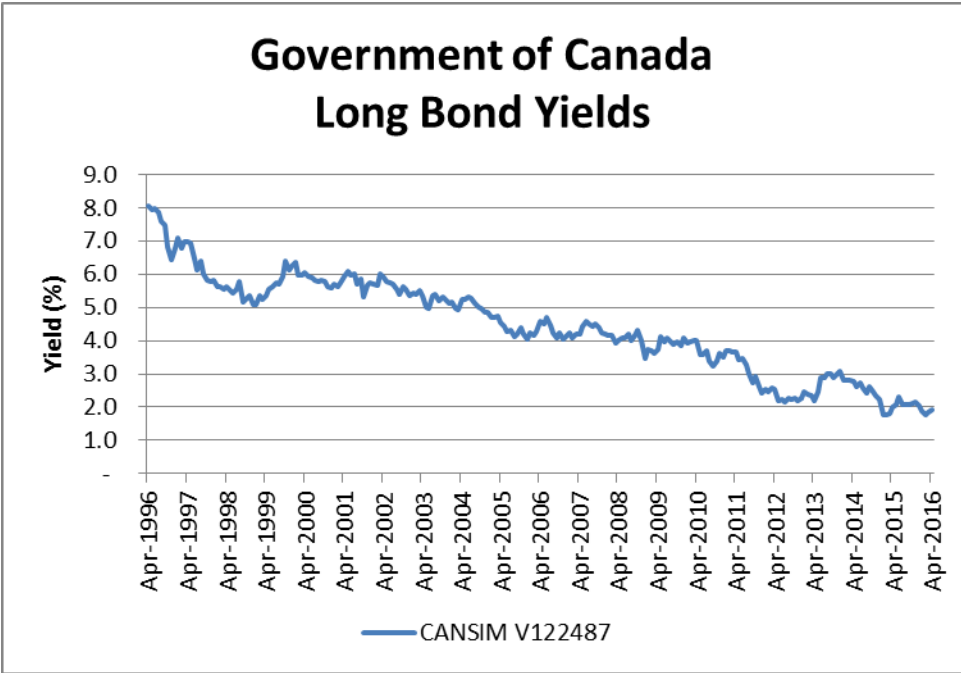
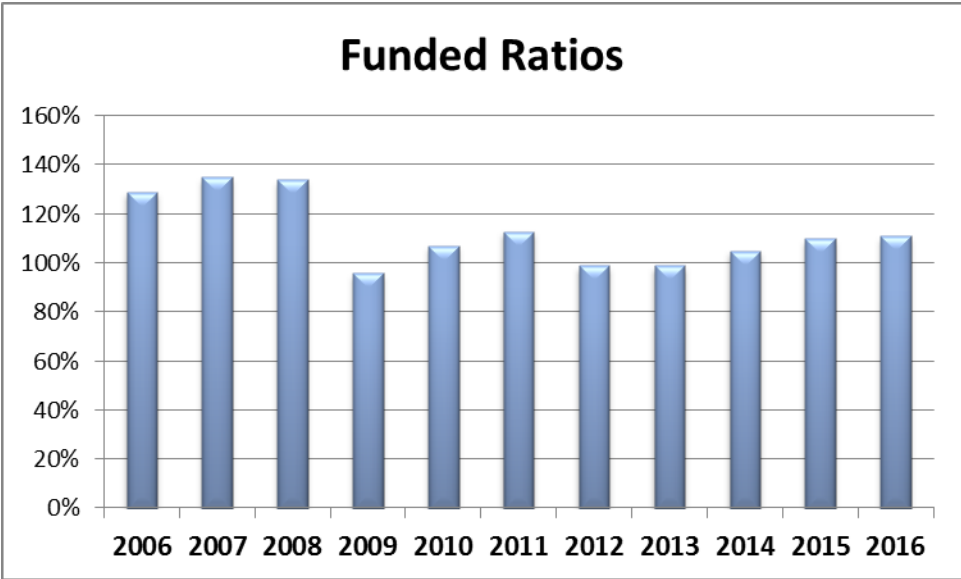
Bryan Rooney

Co-Chairmen, ARI Board of Trustees,
September 2016

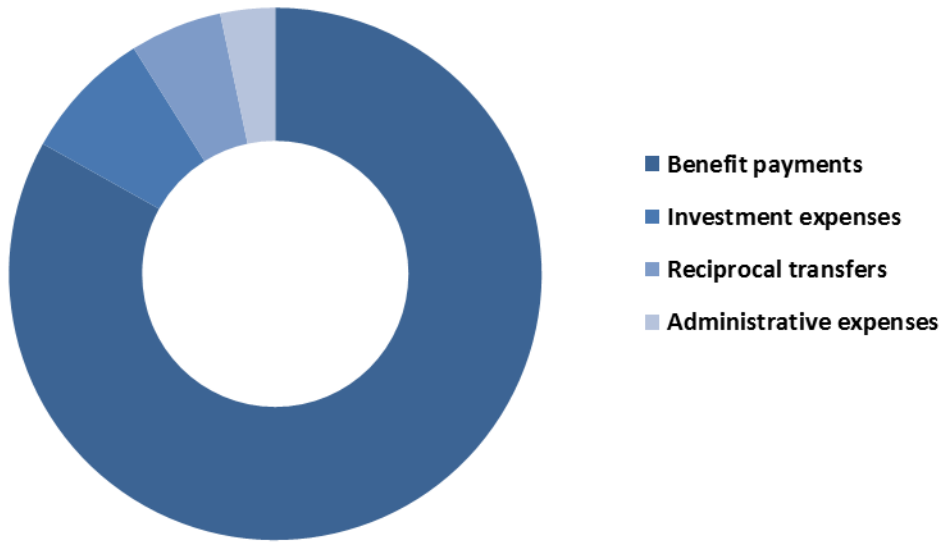
Alberta Refrigeration Industry Pension Plan

Year at a Glance	
▪	Asset value: \$93.4 million
▪	Total pension obligations: \$84.3 million
▪	Funding margin: \$9.1 million
▪	Funded ratio: 111%
▪	Total Plan membership: 1,664
▪	Total participating employers: 42

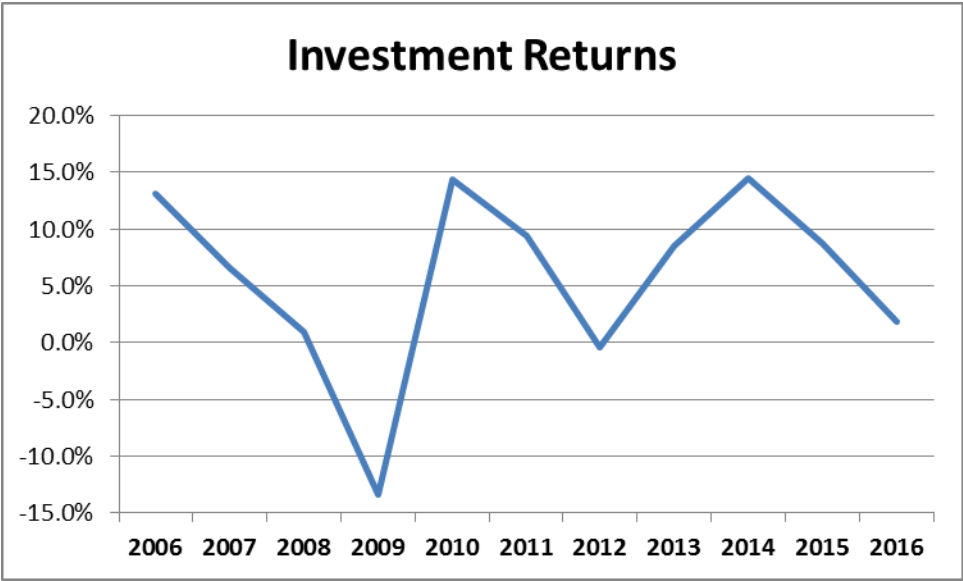




Breakdown of Expenditures



Asset Class	Target Allocation
Canadian equity	10%
Foreign equity	10%
Fixed income	45%
Real estate	12.5%
Private equity	10%
Infrastructure	12.5%



Plan Benefits

Where your employer is making contributions to the Plan at the standard rate for refrigeration mechanics, the Plan currently credits members with a fixed amount of pension for every covered hour of employment. The following table illustrates the amount of additional pension earned for varying levels of reported hours.

Reported Hours Over Plan Year	Monthly Pension Credited
500	\$30.00
1,000	67.50
1,500	105.00
2,000	142.50
2,500	180.00

If contributions are being remitted at a different rate, as is the case for apprentices where the contributions are pro-rated, the monthly pension credited is adjusted on a proportionate basis.

Members are eligible to retire on their full pension if retirement occurs after age 65. Retirement is permitted as early as age 55, but the monthly pension amount is reduced to reflect that it will be paid for a greater number of years. Please refer the pension booklet for early unreduced pension commencement options. Members who cease participating in the Plan prior to age 55 are provided with an opportunity to transfer the commuted value of their pension entitlement to a locked-in RRSP. If a member dies prior to retiring, the commuted value of the pension is paid to the member’s spouse or beneficiary.

Plan Funding

The Plan’s financial position is measured periodically by an actuary engaged by the Board. As at April 30, 2016, which was the end date of the last fiscal Plan year, the Plan was fully funded on a going concern basis. This means that the Plan’s current assets, along with future contributions and investment income, are expected to be sufficient to pay all past and future pensions. Note however that pensions are not guaranteed. The on-going health of the Plan is reliant on certain levels of future investment income and other expectations about the future. Should the Plan’s future investment returns fall short of expectations, or should the Plan encounter other adverse experience, it is possible that pension benefits could be reduced. Since the Plan’s inception over 35 years ago, no members’ accrued benefits have ever been reduced. One of the Board’s key objectives is the prudent governance of the Plan, such that the likelihood of a benefit reduction ever being required for financial reasons is minimized.

A secondary measure of a Plan’s financial position is called the solvency ratio. The solvency ratio measures the extent to which the Plan would be funded in the event it were immediately shut down and wound up. Because it is more costly to prepay for all future benefits immediately upon a Plan wind-up instead of paying them out over time in the future, the wind-up of a pension plan is a very costly undertaking. The Plan's solvency liabilities move up and down with changes in interest rates for long term Government of Canada bonds. As interest rates have been declining over the years, the Plan's solvency liabilities have been increasing. The following table discloses the solvency liability associated with a 60-year old pensioner being paid \$1,000 per month. As you can see, the cost has increased by more than 85% over the last 20 years and has gone up by 27% in the last five years alone. We note that the Board has absolutely no control over these costs.

Date Calculated	Solvency Liability
April 30, 1996	\$115,000
April 30 2001	\$138,000
April 30, 2006	\$159,000
April 30, 2011	\$170,000
April 30, 2016	\$216,000

The Plan's solvency ratio as at April 30, 2016 was 57%. This means that if the Plan had been wound-up on April 30, 2016, all Plan benefits would have been subject to a 43% reduction. The Board notes that there is no intent to wind-up the Plan anytime in the future. Even so, the Board will continue to monitor the solvency ratio and is striving to improve it over time. The Board's primary focus remains on the prudent management of the Plan for the benefit of all current and future Plan participants.

Plan Amendments

No significant Plan changes occurred over the past year. Minor changes to the Plan's participation rules were effected to reflect changes negotiated within the most recent collective agreement. These changes did not affect the Plan's cost of benefits.

Plan Documents

The report was prepared by the Board to provide all participants with the Plan's key highlights. Additional and more detailed information can be obtained and can be made available for examination at the Administration Office located in the Local 488 building in Edmonton. Any participant seeking additional information can call Debbie Pawlick in the Administration Office at (780) 483-1591. Members outside of Edmonton can call toll free at (800) 227-6139.

The Board welcomes your feedback about this annual report and any additional information that could be considered for future annual reports. Please forward your suggestions and comments to the Administration Office.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
AUDITED FINANCIAL STATEMENTS
APRIL 30, 2016**

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND**

APRIL 30, 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES ALBERTA REFRIGERATION INDUSTRY PENSION TRUST FUND

I have audited the accompanying financial statements of Alberta Refrigeration Industry Pension Trust Fund (the "Fund") which comprise the statement of financial position as at April 30, 2016 and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for Pension Funds 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

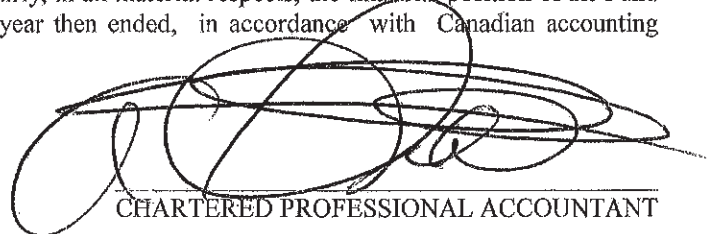
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion these financial statements present fairly, in all material respects, the financial position of the Fund as at April 30, 2016 and its operations for the year then ended, in accordance with Canadian accounting standards for pension plans.

EDMONTON, ALBERTA
SEPTEMBER 2, 2016





CHARTERED PROFESSIONAL ACCOUNTANT

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
APRIL 30, 2016**

	2016	2015
ASSETS		
Investments (Note 3)	\$ 96,024,808	\$ 90,823,257
Cash	1,574,476	2,111,767
Contributions receivable	535,344	658,899
Goods and services tax recoverable	9,925	9,376
Prepaid expenses	9,074	5,299
	<u>\$ 98,153,627</u>	<u>\$ 93,608,598</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 66,981	\$ 127,042
Reciprocal contributions payable (Note 5)	35,854	24,892
Due to Benefit Trust Fund (Note 6)	9,745	7,903
Voluntary contributions (Note 7)	8,158	8,022
	<u>120,738</u>	<u>167,859</u>
HOLDBACKS ON COMMUTED VALUES (Note 8)	3,207,544	2,202,023
RETAINED FOR THE PROVISION OF PLAN BENEFITS	94,825,345	91,238,716
	<u>\$ 98,153,627</u>	<u>\$ 93,608,598</u>

RESTATED
NOTE 13

APPROVED BY THE TRUSTEES:

 _____ Trustee
 _____ Trustee

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
YEAR ENDED APRIL 30, 2016**

	2016	2015
INCREASE IN ASSETS		
Employer contributions	\$ 6,466,658	\$ 6,421,955
Add - reciprocal transfers in	860,527	981,493
Less - reciprocal transfers out	335,871	299,937
	<u>6,991,314</u>	<u>7,103,511</u>
GST RECOVERY	9,925	9,394
INVESTMENT INCOME (Note 9)	1,780,527	7,269,808
TOTAL INCREASE IN ASSETS	<u>8,781,766</u>	<u>14,382,713</u>
DECREASE IN ASSETS		
Death and termination benefit transfers	2,650,237	1,279,507
Cost of members' pensions	2,345,214	1,714,450
	<u>4,995,451</u>	<u>2,993,957</u>
ADMINISTRATION EXPENSES (Schedule 1, page 11)	199,686	191,543
TOTAL DECREASE IN ASSETS	<u>5,195,137</u>	<u>3,185,500</u>
INCREASE IN NET ASSETS	3,586,629	11,197,213
PENSION PAYMENT HOLDBACKS BEFORE 2015 (NOTE 14)	-	1,639,537
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>91,238,716</u>	<u>81,681,040</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$ 94,825,345</u>	<u>\$ 91,238,716</u>

RESTATED
NOTE 13

Al Scherbarth
Professional Corporation
Chartered Professional Accountant

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

1. SUMMARY OF PLAN PROVISIONS

Introduction

The following is a brief summary of the principal provisions of the Alberta Refrigeration Industry Pension Plan (the "Plan"), as amended January 1, 2011.

Effective Date

The effective date of the Plan is May 1, 1980.

Eligibility

The Plan covers employees of Employers that are bound by the Collective Agreement to contribute to the Plan.

Membership and Credited Service

Members receive credit for pensionable hours for which a Participating Employer is making contributions. In respect of the Plan Years on and after May 1, 2007 - the monthly Retirement Benefit equal to \$0.075 for every Covered Hour of Employment in any Plan Year that exceeds 100.

Contributions

Members are not required to contribute to the Plan. Participating Employers contribute to the Plan at the rate specified in the collective agreement. The current required contribution rate per credited hour is \$ 5.60 which was effective November 2, 2014.

Disability

A Member who becomes totally and permanently disabled continues to accrue retirement benefits to the earlier of age 60 and date of recovery. Disabled Members are credited with 134 covered hours of employment for each complete month of disability.

Termination

Vesting Service prior to May 1, 2000

A Member terminating membership before five years of credited service is not entitled to receive any benefits from the Plan in respect of benefits prior to May 1, 2000.

Vesting Service after April 30, 2000

A Member terminating membership in the Plan after two years of credited service is entitled to receive a deferred pension from the Plan. A member terminating membership before two years of credited service is not entitled to receive any benefits from the Plan in respect of benefits earned after April 30, 2000.

Vesting Service on/after September 1, 2014

A Member terminating membership in the Plan on or after September 1, 2014 is immediately vested.

Retirement

The normal retirement age is 65.

For member's in good standing with Local Union 488 and have a minimum of five years credited service, no reduction is applicable to the accrued retirement benefit for retirements occurring subsequent to their 60th birthday. For retirements occurring prior to age 60, the accrued retirement benefit is reduced by 1/2 of 1 percent for each month that the member's actual retirement date precedes the date the member would have attained age 60.

For member's not in good standing with Local Union 488 and/or with less than five years credited service, the early retirement benefit is reduced by 1/2 of 1 percent between age 55 and 60 and an additional 1/4 of 1 percent between age 60 and 65

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

1. SUMMARY OF PLAN PROVISIONS (continued)

Death Benefits

Before Normal Retirement

If a Member dies after obtaining a vested pension and the Member does not have an eligible spouse, the death benefit is equal to the commuted value of the pension earned by the Member prior to their death. If the Member does have an eligible spouse, the death benefit is the greater of the commuted value of the pension earned by the Member prior to their death, or an immediate lifetime pension payable to the spouse equal to 60% of the pension earned by the Member prior to their death. No death benefit is payable if the Member had not yet become vested at the time of their death.

After Retirement

The death benefit is a function of the form of pension chosen at retirement. For a Member without a spouse, the normal form of pension is a pension payable for the life with the guarantee that a minimum of 60 payments will be made in total.

For a retired Member with a spouse at retirement, the Member's monthly pension is actuarially adjusted to provide a benefit to the Member's spouse, upon the Member's death, equal to 60% fo the Member's pension.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Trust Fund follows the Canadian accounting standards for pension funds and the generally accepted accounting principles described below. These together with the notes which follow should be considered an integral part of the financial statements.

(a) **Basis of Presentation**

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

(b) **Revenue and Expenditure Recognition**

Revenue and expenditures are recognized on the accrual basis.

(c) **Common Expenses**

Expenses which cannot be specifically identified with the Plan or the Benefit Plan are prorated 50% to the Plan and 50% to the Benefit Plan with both funds being operated out the same location and trustee by the same trustees and management.

(d) **Investments**

Investments are carried at market value. Market value with respect to investments is determined as follows:

- (1) Investment trust cash and equivalents, at face value.
- (2) Publicly traded bonds and short term investments, published market quotations.
- (3) Publicly traded equities, published market quotations.
- (4) Private investment equity interests, valued by issuer.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

3. INVESTMENTS

PRESENTED BY ASSET CATEGORY:

	<u>2016</u>		<u>2015</u>	
	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>
Cash and equivalents	\$ 1,539,190	\$ 1,539,421	\$ 2,478,431	\$ 2,481,115
Fixed income	31,968,641	31,623,133	31,229,430	30,277,509
Canadian equities	38,340,420	40,737,139	38,230,752	37,857,829
Limited Partnerships	12,152,681	12,348,433	10,148,414	9,820,825
Real Estate Funds	<u>12,023,876</u>	<u>12,247,080</u>	<u>8,736,230</u>	<u>8,403,189</u>
	<u>\$ 96,024,808</u>	<u>\$ 98,495,206</u>	<u>\$ 90,823,257</u>	<u>\$ 88,840,467</u>

\$ 71,848,251 of the investment market value is of a price level 1 for the inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. \$ 24,176,558 of the market value is of a level 3 nature which are unobservable inputs for the asset or liability. Level 3 includes private limited partnerships and real estate funds.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

3. INVESTMENTS (continued)

PRESENTED BY INVESTMENT COUNSEL:

	<u>2016</u>		<u>2015</u>	
	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>BOOK VALUE</u>
Cash - CIBC Mellon	\$ 103,544	\$ 103,544	\$ 35,524	\$ 35,524
Accounts receivable - CIBC	170,252	170,252	185,617	185,617
CIBC - Canadian Money Market	1,265,394	1,265,625	2,257,290	2,259,974
Marathon Special Opportunity Fund	4,080,767	4,413,544	4,624,980	4,393,120
Bentall Kennedy	3,170,131	3,275,437	3,015,006	3,127,306
MB Global Partners	1,606,719	1,975,870	1,503,212	1,503,212
QV Investors	38,340,420	40,737,139	38,230,752	37,857,829
Leith Wheeler	31,968,641	31,623,133	31,229,430	30,277,509
White Oak Summit Fund Blocker	273,614	273,614	-	-
Brookfield Capital Partners	1,531,460	1,450,724	-	-
Trez Capital Finance Fund III L.P.	6,786,014	6,786,014	6,332,234	6,332,234
Brookfield Strategic Real Estate	686,955	625,263	-	-
WF Fund IV	59,449	-	2,032,968	1,705,379
Clairvest Equity Partners V L.P.	925,000	925,000	280,000	280,000
Brookfield Real Estate Finance	2,554,563	2,482,112	1,096,244	882,763
WF Fund V Limited Partnership IV	<u>2,501,885</u>	<u>2,387,935</u>	<u>-</u>	<u>-</u>
	<u>\$ 96,024,808</u>	<u>\$ 98,495,206</u>	<u>\$ 90,823,257</u>	<u>\$ 88,840,467</u>

4. FINANCIAL INSTRUMENTS

The fair values of investments are as described in note 3. The fair values of other financial assets and liabilities being cash, contributions receivable, goods and services tax recoverable, accounts payable, reciprocal contributions payable, due to Benefit Trust Fund and voluntary contribution liability approximate their carrying values due to the short term of these financial instruments. The risks associated with the financial instruments are as set out below.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

4. FINANCIAL INSTRUMENTS (continued)

(a) Market risk:

Market risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or by other factors affecting all instruments traded in the market. As all the Fund's financial instruments are carried at fair value with fair value changes in net assets available for plan benefits, all changes in market conditions will directly affect the change in net assets available for plan benefits. Market risk is managed through a diversified portfolio of instruments traded in various markets and across various industries.

(b) Interest rate risk:

Interest rate risk is the risk associated with short term changes in nominal interest rates. The Fund manages interest rate risks with different maturity terms and investment mixes.

(c) Credit risk:

Credit risk is the risk arising from the potential of issuers of securities to default on their contractual obligations to the the Fund. Such risk is reduced by restricting the purchase of fixed income securities to those of large, high profile financial institutions.

(d) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. Liquidity risk is reduced by (i) the Fund maintaining sufficient cash to meet its short-term obligations and (ii) maintaining an investment policy which contains asset mix guidelines which help to ensure the Fund is able to liquidate investments on a timely basis to meet its pension benefit and other obligations.

5. RECIPROCAL CONTRIBUTIONS PAYABLE

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 Fund of which they are a member.

6. DUE TO ALBERTA REFRIGERATION INDUSTRY BENEFIT TRUST FUND

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

7. VOLUNTARY CONTRIBUTION LIABILITY

The voluntary contribution liability presents the principal and interest accumulated for the benefit of a particular voluntary contributor until the funds are either withdrawn or used to provide a supplementary retirement benefit for each contributor. This provision of the plan has been eliminated effective April 19, 2012.

8. HOLDBACKS ON COMMUTED VALUES

Due to the Plan's solvency deficiency a portion of the commuted value payable on death or termination of a member is deferred and is payable with accrued interest no later than five years after the first installment is paid. If the Plan has a solvency ratio of 100 % earlier than five years, the second installment (holdback) is released at that time.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

9. INVESTMENT INCOME

	2016	2015
Interest and dividends	\$ 2,306,621	\$ 2,101,981
Direct investment earnings	2,261,881	1,197,012
Realized gains	2,020,872	13,452,584
Exchange gain (loss)	123,159	\$ (827,211)
Interest - voluntary contributions (adjustment)	(136)	(622)
Custodial and investment counsel fees	(478,681)	(445,333)
Unrealized losses	<u>(4,453,189)</u>	<u>(8,208,603)</u>
	<u>\$ 1,780,527</u>	<u>\$ 7,269,808</u>

10. RATE OF RETURN ON INVESTMENTS

The rate of return on investments using the actuarial rate of return is 1.7 % for 2016 and 8.4 % for 2015.

11. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented as management believes that a separate statement would not result in any additional useful information. The general cash flow information is readily apparent from the statement of changes in net assets available for plan benefits.

12. FUTURE COMMITMENTS

The Fund is committed to future cash calls on investments in the amount of \$ 42,082,050 as at April 30, 2016.

13. RESTATED FIGURES

Comparative figures for 2015 have been restated in the amount of \$ 562,486 to reflect the provision for holdbacks on pensions due to the solvency deficiency of the Plan costs of Member's Pension expense has been increased by this \$ 562,486 with a corresponding increase to the holdback liability account.

A further restatement in the amount of \$ 1,639,537 was made to net assets available for future benefits for pension holdbacks payable applicable to fiscal years prior to 2015 with again a corresponding increase to the holdback liability for an equal amount.

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

14. OBLIGATIONS FOR PENSION BENEFITS

These financial statements do not purport to indicate whether the assets of the Fund together with investments earnings thereon, plus future contributions will be sufficient to finance all benefits to be provided under the plan. The latest actuarial valuation of the plan was carried out as at April 30, 2014 by The Segal Company, Ltd. which stated that the plan has a going concern funding excess of \$ 3,502,403 and a solvency deficiency of \$ 30,714,055. The results have been extrapolated forward to April 30, 2016. The extrapolation reflects actual contributions, benefit payments, expenses, and investment income for the 2015 and 2016 fiscal plan years. The present value of accrued benefits as determined by The Segal Company, Ltd. is as follows:

FINANCIAL POSITION - GOING CONCERN BASIS	2016	2015	2014
ACTUARIAL ACCRUED LIABILITY			
Present value of accrued benefits for:			
Pensioners and beneficiaries	\$ 16,018,784	\$ 13,679,643	\$ 12,489,316
Inactive participants with vested rights	19,240,046	18,193,897	17,204,631
Active participants	<u>49,039,060</u>	<u>48,231,336</u>	<u>43,886,898</u>
TOTAL ACTUARIAL ACCRUED LIABILITY	84,297,890	80,104,876	73,580,845
ASSETS			
Actuarial value of assets	<u>93,421,234</u>	<u>87,959,022</u>	<u>77,083,248</u>
FUNDING EXCESS (UNFUNDED LIABILITY)	\$ <u>9,123,344</u>	\$ <u>7,854,146</u>	\$ <u>3,502,403</u>

The *Alberta Employment Pension Plans Act* requires that a plan be valued on a solvency basis whereby the values of a plan's assets and liabilities are measured on a plan wind-up basis assuming all liabilities are settled on the valuation date. The solvency extrapolation to April 30, 2016 also reflects the interest rates in effect on April 30, 2016. The solvency position of the plan as determined by The Segal Company, Ltd. is as follows:

FINANCIAL POSITION - SOLVENCY BASIS	2016	2015	2014
ACTUARIAL ACCRUED LIABILITY			
Present value of accrued benefits for:			
Pensioners and beneficiaries	\$ 21,773,695	\$ 19,941,701	\$ 15,355,852
Inactive participants with vested rights	36,920,204	34,895,933	26,932,578
Active participants	<u>106,630,438</u>	<u>96,958,525</u>	<u>69,956,665</u>
TOTAL ACTUARIAL ACCRUED LIABILITY	165,324,337	151,796,159	112,245,095
ASSETS			
Market value of assets	94,825,345	93,440,739	81,681,040
Less wind-up expenses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>
TOTAL SOLVENCY ASSETS	<u>94,675,345</u>	<u>93,290,739</u>	<u>81,531,040</u>
SOLVENCY EXCESS (DEFICIENCY)	<u>\$(70,648,992)</u>	<u>\$(58,505,420)</u>	<u>\$(30,714,055)</u>
SOLVENCY RATIO	57.3 %	61.5 %	72.6 %

**ALBERTA REFRIGERATION INDUSTRY
PENSION TRUST FUND
ADMINISTRATION EXPENSES
YEAR ENDED APRIL 30, 2016**

	SCHEDULE 1	
	2016	2015
Professional fees	\$ 50,090	\$ 24,067
General office administration costs	33,144	26,163
Manager's fees	22,500	22,500
Computer processing	17,561	18,034
Office and telephone	17,326	7,926
Consulting and actuarial fees	16,001	41,402
Educational conferences	14,389	20,557
Meeting costs	12,437	12,797
Insurance	10,597	10,410
Registration fees	5,324	6,790
Bank charges	317	897
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	\$ 199,686	\$ 191,543
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