# WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND

## FINANCIAL STATEMENTS

## December 31, 2016 and 2015

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**
**FINANCIAL STATEMENTS**
**December 31, 2016 and 2015**

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# INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Western States Office & Professional
Employees Pension Fund

**Report on the Financial Statements**
We have audited the accompanying financial statements of Western States Office & Professional Employees Pension Fund (the "Trust"), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Trust management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 those risk assessments, the auditor considers internal control relevant to the Trust'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 Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Trustees
Western States Office & Professional
Employees Pension Fund
(Continued)

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Western States Office & Professional Employees Pension Fund's net assets available for benefits as of December 31, 2016, and changes therein for the year then ended and its financial status as of December 31, 2015, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Francisco, CA
October 12, 2017

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**
**December 31, 2016 and 2015**

**ASSETS**

| | 2016 | 2015 |
|---|---|---|
| **Investments (Notes 2C and 5):** | | |
| Cash equivalents | $ 2,800,372 | $ 397 |
| Mutual fund | 12,748,047 | - |
| Common collective funds | 200,652,274 | 248,416,874 |
| 103-12 investment entities | 48,644,555 | 39,041,116 |
| Limited partnerships | 45,342,595 | 27,326,331 |
| Other: | | |
| Cash overlay | 5,034,377 | 4,762,789 |
| Infrastructure investment fund | 8,077,926 | 9,957,177 |
| Due from broker | - | 108,020 |
| | 323,300,146 | 329,612,704 |
| **Receivables:** | | |
| Employer contributions (Notes 2B and 3B) | 584,491 | 728,012 |
| Withdrawal liability contributions receivable (Note 7) | - | - |
| | 584,491 | 728,012 |
| **Cash accounts** | 87,054 | 791,812 |
| **Other:** | | |
| Prepaid benefits | 3,297,661 | 3,230,166 |
| Prepaid insurance | 67,515 | 149,254 |
| | 3,365,176 | 3,379,420 |
| Total assets | 327,336,867 | 334,511,948 |

**LIABILITIES**

| | 2016 | 2015 |
|---|---|---|
| **Liabilities:** | | |
| Accounts payable | 404,536 | 301,748 |
| Unprocessed Contributions | 12,377 | - |
| Total liabilities | 416,913 | 301,748 |
| **Net Assets Available for Benefits** | $ 326,919,954 | $ 334,210,200 |

The accompanying notes are an integral part of the financial statements.

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| **Additions:** | | |
| Employer contributions (Notes 2B and 3B) | $ 4,318,217 | $ 4,883,040 |
| Withdrawal liability income (Note 7) | 3,872,245 | 3,337,192 |
| Supplemental contributions (Note 3C) | 3,016,465 | 3,509,909 |
| Surcharge contributions (Note 3C) | 43,983 | 81,811 |
| Liquidated damages | 27,650 | 35,624 |
| | 11,278,560 | 11,847,576 |
| Investment income: | | |
| Realized and unrealized gains on investments, net | 22,339,020 | 3,246,089 |
| Interest and dividends | 1,584,823 | 1,904,728 |
| | 23,923,843 | 5,150,817 |
| Less: investment expenses | (1,591,828) | (1,479,482) |
| | 22,332,015 | 3,671,335 |
| Other income | 11,425 | 39,792 |
| Total additions | 33,622,000 | 15,558,703 |
| **Deductions:** | | |
| Pension benefits (Note 1B) | 39,153,722 | 39,045,991 |
| Administrative fees | 453,277 | 429,000 |
| Professional services: | | |
| Legal | 297,579 | 174,816 |
| Consultant and actuary | 251,970 | 215,223 |
| Investment consulting | 205,000 | 214,687 |
| Auditing: | | |
| Financial | 39,181 | 35,804 |
| Payroll | 61,177 | 64,224 |
| | 854,907 | 704,754 |

(Continued)

The accompanying notes are an integral part of the financial statements.

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - (Continued)**
**For the Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| General expenses: | | |
| Insurance | 157,238 | 140,754 |
| PBGC insurance | 210,087 | 198,770 |
| Printing, postage and storage | 22,826 | 22,882 |
| Educational seminars and meetings | 45,702 | 52,029 |
| Miscellaneous | 14,487 | 22,994 |
| | 450,340 | 437,429 |
| Total operating expenses | 1,758,524 | 1,571,183 |
| Total deductions | 40,912,246 | 40,617,174 |
| Decrease in net assets available for benefits | (7,290,246) | (25,058,471) |
| **Net Assets Available for Benefits:** | | |
| Beginning of year | 334,210,200 | 359,268,671 |
| End of year | $ 326,919,954 | $ 334,210,200 |

The accompanying notes are an integral part of the financial statements.

**WESTERN STATES OFFICE & PROFESSIONAL**
**EMPLOYEES PENSION FUND**
**NOTES TO THE FINANCIAL STATEMENTS**

## NOTE 1 - DESCRIPTION OF THE TRUST

The following brief description is provided for general information purposes only. Participants should refer to the Summary Plan Description for more complete information.

### A. General:

The Western States Office and Professional Employees Pension Fund (the "Trust") is a defined benefit plan which was established on May 3, 1960 for the purpose of providing pension, disability and death benefits to eligible participants covered by collective bargaining agreements between the local unions and various employers in the union's jurisdiction.

The Trust is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is exempt from federal and state taxes on income under the current provisions of the Internal Revenue Code and applicable state law. However, the Trust is subject to federal and state taxes on its unrelated business taxable income ("UBTI"). UBTI is derived from a trade or business that is unrelated to the exempt organization's purpose. For this Trust, UBTI is mainly derived from investing in entities that also use third party debt financing. The trust management believes that the Trust, as amended, continues to qualify and to operate in accordance with applicable provision of Internal Revenue Code for which the Trust has received a favorable tax exemption letter.

### B. Plan Benefits:

In general, participants who are age 65 and have five years of credited service are entitled to a normal pension benefit. A disability pension benefit, a death benefit, a reduced early pension benefit and pension enhancement benefits are available for qualified participants.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Accounting:

The Trust's financial statements are prepared on the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 reporting period. Actual results could differ from those estimates.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

### B. Employer Contributions:

Employer contributions reported in the financial statements include amounts relating to hours worked by participants through December 31, plus material delinquent contributions.

The Trust has an employer payroll audit system in place in which the employers are randomly audited to verify that they are contributing in accordance with their signed agreement. Delinquencies may arise due to these payroll audits, but due to the uncertainty of collections, no estimates of the contributions will be accrued.

### C. Valuation of Investments:

The Blackrock Equity Index Non-Lendable Fund is a common collective funds which are valued depending on the type of investment included in the portfolio. Equity investments are valued at the last reported sales prices on the day of valuation. Fixed income securities other than government obligations are valued based upon the last available bid price received from independent pricing services. Government obligations are valued based upon bid quotations for similar obligations. Futures contracts are valued at closing market prices on the exchange on which the contracts are traded. Collective investment funds are valued based on the unit value established for each fund on the valuation date.

The INTECH US Managed Volatility Fund, LLC is a 103-12 entity whose underlying assets are common stock. The investment is valued based upon the last reported sale price on the valuation date for investments which market quotations are readily available.

The Loomis Core Plus Full Discretion Trust is a common collective trust. The portfolio securities listed on a securities exchange for which market quotations are readily available are valued at the last sales price or official closing price on each business day. Securities for which quotations are not readily available are valued at fair value as determined in good faith by Loomis Sayles Trust Company, LLC.

The EB DV Global Alpha I Fund of the Bank of New York Mellon is a common collective trust whose underlying assets are primarily affiliated collective investment funds. These investments are generally valued at the net asset value as reported by the respective fund at each valuation date unless the Trustee determines that a significant difference exists between the transactional net asset value and the market value.

The Invesco Real Estate II Fund is a real estate investment whose underlying assets are valued based upon subjective judgments. Real estate investments are valued on at least an annual basis and are appraised by an external third party every three years.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### C. Valuation of Investments: – (Continued)

The IFM Global Infrastructure Fund is a limited partnership whose underlying assets are valued based upon independent valuations prepared to estimate the fair value of investments on a quarterly basis.

The Grosvenor Institutional Partners L.P. is a limited partnership. The investment is valued based upon an amount generally equal to the net asset value of the investment in the portfolio funds as determined by the investment fund's general partner or investment manager. Generally, the net asset values of the investments in Portfolio Funds are determined whereby the Fund records the investment and subsequent subscriptions at acquisition cost and adjusts the value to reflect the Fund's share of net investment income or loss and unrealized and realized gain or loss net of fees and performance-based compensation.

Invesco Balanced-Risk Allocation Trust is a common collective trust investing primarily in U.S Treasury Securities and Short-Term Investments. Securities for which market quotations are not readily available or became unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

The Parametric Clifton investments are overlay investments which are obtained via futures. These instruments are marked-to-market daily based on the daily settlement prices produced by the exchange.

The JP Morgan IIF ERISA LP is an infrastructure investment fund with investments valued by independent appraisers on an annual basis. Asset valuations and the salient valuation-sensitive assumptions of each interest are reviewed by the Adviser and values are adjusted quarterly.

The JP Morgan Special Situation Property Fund is a common collective whose underlying assets are primarily direct real estate properties. Properties are externally appraised generally on an annual basis, conducted by reputable, independent appraisal firms. Property valuations and the salient valuation-sensitive assumptions of each direct investment property are reviewed by the Trustee quarterly and values are adjusted if there has been a significant change in circumstances related to the investment property since the last valuation.

The Panagora US Small Cap Core Fund is a 103-12 entity. The investments are valued based upon the basis of market valuations provided by independent pricing services.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

### C. Valuation of Investments: – (Continued)

The ASB Allegiance Real Estate Fund is a common collective primarily composed of real estate assets. The valuation of the real estate investments is based on real estate appraisals prepared externally by independent real estate appraisers, unless the real estate investment was acquired during the current quarter or is expected to be sold in the near term. If market data is not readily available, fair value is based upon other significant unobservable inputs, such as assumptions about the inputs market participants would use in valuing the investment.

The WCM Focused Intl Growth Fund is a limited partnership whose underlying assets are valued based upon estimate fair value of investments on a recurring basis.

The Brandes Intl S/C Equity Fund is a 103-12 entity, which uses the principal market, or market with the greatest volume and level of activity, in which its portfolio investment exist to determine the fair value of the investments. Fixed income securities are valued on the basis of quotes obtained from brokers and dealers or independent pricing services or sources.

### D. Uncertain Tax Positions:

The Trust has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. The Plan management believes that the Trust has not taken uncertain tax positions that require adjustment to the financial statements as a tax liability. The Plan management believes it is no longer subject to income tax examinations for fiscal years prior to December 31, 2013.

### E. Concentration of Risk:

The Trust maintains its cash balances at high credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, such cash balances may be in excess of the insurance limit.

### F. Reclassification:

Certain prior year amounts may have been reclassified to conform to current year financial statement presentation.

## NOTE 3 – FUNDING POLICY

### A. General:

The participating employers contribute such amounts as are specified in the collective bargaining agreements. The Trust's actuary has advised that the minimum funding requires of ERISA were met as of December 31, 2015.

## NOTE 3 – FUNDING POLICY – (Continued)

### B. Contributions:

During the years ended December 31, 2016 and 2015, the Trust received contributions from employers in various contracted payment types and amounts. The principal types of contributions were received as follows:

| | Hourly |
|---|---|
| January 1, 2015 - December 31, 2016 | $0.05 - 9.95 |

### C. Pension Protection Act of 2006:

On March 31, 2009, the Trust's actuary certified that the Trust was in critical status or in the "red zone" under the Pension Protection Act of 2006 (the "Act") for the plan year beginning January 1, 2009. The Trust was initially certified in the "red zone" because the credit balance in the Funding Standard Account was projected to be depleted by 2011 at that point in time. On October 16, 2009 the Board of Trustees approved implementing the Trust's Rehabilitation Plan (the "RP") as required under the Act. The RP was originally effective November 25, 2009, and was subsequently amended effective January 1, 2010. As required under the Act, a 10% surcharge automatically applies to pension contributions on hours worked on or after January 1, 2010 and continues until the employer is subject to the RP. The RP applies to collective bargaining agreements expiring on or after November 25, 2009. Bargaining parties negotiate to adopt the RP and the Supplemental Employer Contribution Schedule as part of their new agreement. The Default Supplemental Employer Contribution Schedule automatically applies under the Act if the bargaining parties fail to adopt the RP within 180 days after the CBA expires. Effective January 1, 2013, the Board of Trustees revised the Rehabilitation Plan to cap supplemental employer contributions at 80%. The Board has not changed the default schedule under the 2013 Rehabilitation Plan. The current rules regarding imposition of the default schedule continue to apply.

For the plan year beginning January 1, 2017, the Trust's actuary has certified that the Trust is in critical and declining status. The Trust is projected to be insolvent by December 31, 2034.

## NOTE 4 - PLAN TERMINATION

The Board of Trustees has the right to discontinue or terminate the Trust in whole or in part. The rights of all affected participants to any benefit accrued to the date of the termination, partial termination or discontinuance will be governed by ERISA sections 404A and 4281 and the regulations there under.

**NOTE 4 - PLAN TERMINATION – (Continued)**

Certain benefits under the Plan are covered by the insurance protection of the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. The PBGC does not guarantee all benefits under the Plan, and the amount of protection is subject to certain limitations. Whether participants receive the full amount of benefits to which they are entitled should the Plan terminate at some future time will depend on the sufficient of the Plan's net assets on the date of payment to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan and the level of benefits guaranteed by the PBGC.

**NOTE 5 - INVESTMENTS**

**A. General:**
The investment assets of the Trust are held by U.S. Bank under the terms of a custodian agreement, effective April 22, 2016. Assets are invested in accordance with a program directed by the investment manager.

The following information, included in the Trust's financial statement as of December 31, 2016, was prepared by U.S. Bank and furnished to the Administrator. The information included in the Trust's financial statements as of December 31, 2015, was prepared by the investment managers.

| | 2016 | 2015 |
|---|---|---|
| | Fair Value | Fair Value |
| Cash equivalents | $ 2,800,372 | $ 397 |
| Mutual funds | 12,748,047 | - |
| Common collective funds | 200,652,274 | 248,416,874 |
| 103-12 investment entities | 48,644,555 | 39,041,116 |
| Limited partnerships | 45,342,595 | 27,326,331 |
| Other: | | |
| Cash overlay | 5,034,377 | 4,762,789 |
| Infrastructure investment fund | 8,077,926 | 9,957,177 |
| Due from broker | - | 108,020 |
| | $ 323,300,146 | $ 329,612,704 |

**NOTE 5 - INVESTMENTS – (Continued)**

**B. Fair Value Measurements:**
The Trust has adopted the Fair Value Measurement Topic of the Financial Accounting Standards Board Accounting Standards Codification No. 820 (ASC 820). In accordance with ASC 820, fair value is defined as the price that the Trust would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. As amended, ASC 820 permits entities to use Net Asset Value (NAV) as a practical expedient to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with the investment company accounting. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset of liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are assets that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Trust’s own assumptions in determining the fair value of investments)

## NOTE 5 - INVESTMENTS – (Continued)

### B. Fair Value Measurements: - (Continued)

The following is a summary of the inputs used as of December 31, 2016 in valuing the Trust's investments carried at value:

| | Level 1 | Level 2 | Level 3 | Total 2016 |
|---|---|---|---|---|
| Cash equivalents | $ 2,800,372 | $ - | $ - | $ 2,800,372 |
| Mutual fund | 12,748,047 | - | - | 12,748,047 |
| Total assets in the fair value hierarchy | $ 15,548,419 | $ - | $ - | $ 15,548,419 |
| Investments measured at net asset value (*) | | | | $ 307,751,727 |
| Total | | | | $ 323,300,146 |

(*) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not b classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair va hierarchy to the line items presented in the statement of net assets available for benefits.

The following is a summary of the inputs used as of December 31, 2015 in valuing the Trust's investments carried at value:

| | Level 1 | Level 2 | Level 3 | Total 2015 |
|---|---|---|---|---|
| Due from broker | $ 108,020 | $ - | $ - | $ 108,020 |
| Total assets in the fair value hierarchy | $ 108,020 | $ - | $ - | $ 108,020 |
| Investments measured at net asset value (*) | | | | $ 329,504,684 |
| Total | | | | $ 329,612,704 |

(*) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not b classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair va hierarchy to the line items presented in the statement of net assets available for benefits.

## NOTE 5 - INVESTMENTS – (Continued)

### B. Fair Value Measurements: - (Continued)

At December 31, 2016, unfunded commitments and redemption rules of those investments are as follows:

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice |
| Loomis Sayles | 71,532,207 | - | Daily | 3 Days |
| BlackRock Index Non-Lending | 41,524,516 | - | Daily | Daily |
| Invesco Balanced Risk | 27,550,269 | - | Daily | Daily |
| ASB Allegiance Real Estate Fund | 31,710,310 | - | Quarterly | 60 Days |
| Intech US Managed Volitility | 25,837,269 | - | Daily | 1 Day |
| EB DV Dynamic Growth | 16,226,952 | - | Daily | Daily |
| Grosvenor Institutional Partners | 16,641,558 | - | Quarterly | 70 Days |
| Panagora US Small Cap Core Fund | 16,589,936 | - | Bi-monthly | 2 Days |
| JP Morgan Special Situation | 12,108,019 | - | Quarterly | 45 Days |
| JP Morgan ERISA II | 8,077,926 | - | March 31 or Sept. 30 | 45 Days |
| IFM Global Infrastructure | 9,172,162 | - | Quarterly | 90 Days |
| Clifton Group Cash Overlay | 5,034,377 | - | n/a | n/a |
| Invesco Real Estate Fund II | 35,796 | 959,600 | n/a | n/a |
| WCM Focused Intl Growth Fund | 19,493,080 | - | Monthly | 5 Days |
| Brandes Intl S/C Equity Fund | 6,217,350 | - | Monthly | 30 Days |
| | 307,751,727 | 959,600 | | |

**NOTE 5 - INVESTMENTS – (Continued)**

**B. Fair Value Measurements: - (Continued)**

At December 31, 2015, unfunded commitments and redemption rules of those investments are as follows:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice |
| Loomis Sayles | 66,340,052 | - | Daily | 3 days |
| BlackRock Index Non-Lending | 40,635,472 | - | Daily | Daily |
| Invesco Balanced Risk | 38,529,318 | - | Daily | Daily |
| BlackRock MSCI ACWI Ex-US | 37,293,673 | - | Daily | Daily |
| ASB Allegiance Real Estate Fund | 30,338,966 | - | Quarterly | 60 Days |
| Intech US Managed Volitility | 24,439,431 | - | Daily | 1 Day |
| EB DV Dynamic Growth | 24,151,809 | - | Daily | 2 Days |
| Grosvenor Institutional Partners | 16,283,417 | - | Quarterly | 70 Days |
| Panagora US Small Cap Core Fund | 14,601,685 | - | Bi-monthly | 2 Days |
| JP Morgan Special Situation | 11,127,980 | - | March 31 or Sep. 30 | 45 Days |
| JP Morgan ERISA II | 9,957,177 | - | Quarterly | Written Notice |
| IFM Global Infrastructure | 8,887,246 | - | Daily | Written Notice |
| Clifton Group Cash Overlay | 4,762,789 | - | n/a | n/a |
| Invesco Real Estate Fund II | 2,155,669 | 959,600 | n/a | n/a |
| | 329,504,684 | 959,600 | | |

Grosvenor Institutional Partners, L.P. invests in Portfolio Funds which generally implement “non-traditional” or “alternative” investment strategies.

JP Morgan IIF ERISA is an infrastructure investment fund whose strategy is to focus on core/core-plus infrastructure assets that offer stable yield and inflation-linked return characteristics through an open-ended investment vehicle that is diversified both geographically and by sub-sector. The fund seeks to avoid competitive trophy auction processes, instead investing in middle-market opportunities with a target investment size of $200-500 million equity each.

IFM Global Infrastructure (US), L.P. seeks to acquire and maintain a diversified portfolio of global infrastructure investments (in the target sub-sectors with varied maturities) that returns 10% per annum (net of advisory fees, any performance fee, allocable expenses and investment-level taxes) over a rolling three year period.

Invesco Real Estate Fund II seeks to provide returns based on investment in portfolio companies, portfolio investments, and real estate assets.

## NOTE 5 – INVESTMENTS - (Continued)

### B. Fair Value Measurements: – (Continued)

WCM Focused International Growth Fund invests in quality growth exchange traded securities from around the world, with high ROE, high ROIC and a good valuation.

## NOTE 6 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are those future periodic payments that are attributable, under the Fund's provisions, to the service participants have rendered. Accumulated plan benefits include benefits expected to be paid to: (a) retired or terminated participants or their beneficiaries, (b) beneficiaries of participants who have died, and (c) present participants or their beneficiaries.

The actuarial present value of accumulated benefits is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of reductions such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuation performed by the actuary at January 1, 2016, the most recent valuation, were (a) life expectancy of participants (the RP-2000 Mortality Table was used) (b) retirement age assumptions (age 65 and 5 years of service) and (c) investment return (assumed at 7.25% per annum).

The computations of the actuary present value of accumulated plan benefits were made as of January 1, 2016. Had the valuation been performed on December 31, 2015 there would be no material differences.

**NOTE 6 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS – (Continued)**

The actuarial present value of accumulated plan benefits, at January 1, 2016 and the changes in accumulated plan benefits for the year then ended, as developed by the Fund's actuary, follows:

STATEMENTS OF ACCUMULATED PLAN BENEFITS
(as of January 1, 2016)

| | 2016 |
|---|---|
| Actuarial present value of accumulated plan benefits: | |
| Vested benefits in a payment status | $ 354,476,819 |
| Other participants' vested benefits | 179,801,794 |
| Total vested benefits | 534,278,613 |
| Nonvested benefits | 582,342 |
| Total year end actuarial present valı | $ 534,860,955 |

STATEMENTS OF CHANGE IN ACCUMULATED PLAN BENEFITS
(as of January 1, 2016)

| | 2016 |
|---|---|
| Actuarial present value of accumulated plan benefits at beginning of plan year | $ 537,887,774 |
| Increase/(decrease) during year due to: | |
| Benefits accumulated | (1,562,274) |
| Increase for interest | 37,581,446 |
| Benefits paid | (39,045,991) |
| Net increase | (3,026,819) |
| Actuarial present value of accumulated plan benefits at end of plan year | $ 534,860,955 |

## NOTE 7 – EMPLOYER WITHDRAWAL LIABILITY

The Multi-Employer Pension Plan Amendments Act of 1980, as amended by the Deficit Reduction Act of 1984 imposes a liability on employers that withdraw from the Trust. The amount due to the Trust from a withdrawn employer is based on the history of contributions to the Trust and the related unfunded vested benefits.

As of yearend, the Trust is in withdrawal liability status. There have been employers that have withdrawn from this Trust during the withdrawal liability period. They are now required to contribute to the Trust to reduce their withdrawal liability. The present value for future stream of payments from those employers at December 31, 2016 and 2015 is $46,517,678 and $46,902,470, respectively. Due to the uncertainty of the going concern of the employers over an extended period of time, complete payment and timing of payment, this receivable has been fully reserved.

## NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments whose values are derived from an underlying entity, such as other financial instruments or market indices. Derivatives that may be utilized by the Trust include Exchange Traded Funds, exchange traded index options, options on futures, commodity and commodity index futures, international and domestic equity index futures, domestic and foreign fixed income futures, and currency futures. Financial futures, one of the most common types of derivative instruments, are agreements to buy or sell a quantity of a financial instrument, index, or currency at a predetermined future date and rate or price. All changes in the value of open futures positions are settled on a daily basis through what is known as the margin variation process. An option is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell quantity of a particular financial instrument, index or currency at a predetermined rate or price during a period or a time in the future.

**Objectives** - The Trust has exposure to derivatives as part of a cash overlay program, which constitutes approximately 1.56% and 1.44% of the Western States Office & Professional Employees Pension Fund investment portfolio for the year ended December 31, 2016 and 2015 respectively. The futures contracts are used to efficiently gain long exposure to specified capital markets indices in the aggregate amount of the cash in the portfolio. Additionally, short positions in futures contracts may be utilized to reduce exposure to specific capital markets indices as part of the futures-based rebalancing program. The fund also uses derivatives to gain long exposure to the Russell 2000 Index for their small cap equity exposure.

## NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS – (Continued)

**Information Risk** - The overlay manager will maintain index market exposures based on designated asset values provided by third parties. The overlay manager cannot verify these values but will rely on this information as being reflective of true fund values. If actual fund values are different from the values provided by such third parties, losses may result from over or under exposure to the desired index. This is a general risk associated with overlay programs.

**Futures** – The use of futures entails risks. These risks include:

- Market Risk – The potential that the market moves in a manner adverse to the futures position causing a mark-to-market loss of capital.
- Liquidity Risk – To the extent the futures position generates a loss in excess of margin available, the fund will require liquid assets to satisfy any outstanding commitments or may experience liquidation of positions.
- Collateral Risk – The fund may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.

## NOTE 9 – RISKS AND UNCERTAINTIES

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the statements of net assets available for benefits.

## NOTE 10 - COMMITMENTS

In the course of investing, the Trust has committed assets to invest with a new manager. Below is a list of the total commitment as well as how much the investment manager has drawn down on that commitment as of years ended December 31, 2016 and 2015 respectively:

December 31, 2016

| Investment Manager | Total Commitment | Drawn to Date | Remaining Commitment |
|---|---|---|---|
| Invesco Real Estate Fund II | $ 12,000,000 | $ 11,040,400 | $ 959,600 |

December 31, 2015

| Investment Manager | Total Commitment | Drawn to Date | Remaining Commitment |
|---|---|---|---|
| Invesco Real Estate Fund II | $ 12,000,000 | $ 11,040,400 | $ 959,600 |

## NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were available to be issued. This date is approximately the same as the independent auditor's report date. Management has concluded that no material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the financial statements.