

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND**

**FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

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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 statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year 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 audit. We conducted our audit 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.

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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, 2018, and changes in the net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of Western States Office & Professional Employees Pension Fund as of and for the year ended December 31, 2017, were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated October 12, 2018, expressed an unmodified opinion on those statements.

**Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Assets Held for Investment and 5% Reportable Transactions as of December 31, 2018, referred to as "supplemental information," is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

San Ramon, CA  
October 10, 2019

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**December 31, 2018 and 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Investments, at fair value (Notes 2C and 5):</b>		
Money market funds	\$ 1,051,932	\$ 925,574
Mutual funds	17,037,563	15,728,739
Common collective funds	181,573,993	195,226,355
103-12 investment entities	48,772,636	56,846,279
Limited partnerships	35,524,443	53,874,920
Other:		
Infrastructure investment fund	8,404,369	8,495,797
	<u>292,364,936</u>	<u>331,097,664</u>
<b>Receivables:</b>		
Employer contributions (Notes 2B and 3B)	549,517	445,675
Withdrawal liability contributions receivable (Note 7)	-	-
Interest	3,720	-
	<u>553,237</u>	<u>445,675</u>
<b>Cash accounts</b>	<u>4,416,532</u>	<u>3,838,784</u>
<b>Other:</b>		
Prepaid insurance	124,570	3,748
	<u>124,570</u>	<u>3,748</u>
Total assets	<u>297,459,275</u>	<u>335,385,871</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts payable	393,194	195,329
Unprocessed Contributions	-	142,229
Total liabilities	<u>393,194</u>	<u>337,558</u>
<b>Net Assets Available for Benefits</b>	<u>\$ 297,066,081</u>	<u>\$ 335,048,313</u>

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Additions:</b>		
Employer contributions (Notes 2B and 3B)	\$ 2,949,919	\$ 3,383,971
Withdrawal liability income (Note 7)	6,876,543	3,489,232
Supplemental contributions (Note 3C)	2,400,383	2,706,688
Surcharge contributions (Note 3C)	-	8,598
Liquidated damages	12,167	22,199
	<u>12,239,012</u>	<u>9,610,688</u>
Investment income/(loss):		
Realized and unrealized gains/(loss) on investments, net	(8,962,455)	40,818,176
Interest and dividends	1,039,552	1,300,811
	<u>(7,922,903)</u>	<u>42,118,987</u>
Less: investment expenses	(1,426,134)	(1,431,170)
	<u>(9,349,037)</u>	<u>40,687,817</u>
Other income	7,974	41,674
	<u>7,974</u>	<u>41,674</u>
Total additions	<u>2,897,949</u>	<u>50,340,179</u>
<b>Deductions:</b>		
Pension benefits (Note 1B)	39,023,959	40,137,025
	<u>39,023,959</u>	<u>40,137,025</u>
Administrative fees	437,068	436,382
	<u>437,068</u>	<u>436,382</u>
Professional services:		
Legal	191,890	198,399
Consultant and actuary	218,775	152,843
Investment consulting	205,000	205,000
Auditing:		
Financial	11,500	44,430
Payroll	90,701	100,860
MPRA Expense	287,758	523,382
	<u>1,005,624</u>	<u>1,224,914</u>

(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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
General expenses:		
Insurance	127,959	124,375
PBGC insurance	210,980	209,468
Printing, postage and storage	29,705	24,064
Educational seminars and meetings	17,796	37,817
Miscellaneous	27,090	17,775
	<u>413,530</u>	<u>413,499</u>
Total operating expenses	<u>1,856,222</u>	<u>2,074,795</u>
Total deductions	<u>40,880,181</u>	<u>42,211,820</u>
Increase/(decrease) in net assets available for benefits	(37,982,232)	8,128,359
<b>Net Assets Available for Benefits:</b>		
Beginning of year	<u>335,048,313</u>	<u>326,919,954</u>
End of year	<u>\$ 297,066,081</u>	<u>\$ 335,048,313</u>

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 Plan Document 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 provisions 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.

On September 14, 2018 the United States Department of Treasury approved the implementation of a 30% benefit suspension. The 30% benefit suspension applies to benefits accrued before October 1, 2018. The benefit suspension applies to any participant, retiree, beneficiary, or alternate payee under the Plan, whether or not in pay status as of October 1, 2018.



**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**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. Also, the preparation of financial statements inherently requires the rounding of amounts and estimates. Management believes that any differences due to rounding are trivial.

**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 Trust management determines valuation policies utilizing information provided by its investment advisors, managers, and custodians.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Cash equivalents are stated at cost, which equals fair value.

Mutual funds (including money market mutual funds) are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Units of collective trust funds and real estate investment funds are valued at the NAV of units of the fund. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

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

**C. Valuation of Investments: - (Continued)**

Investments in limited partnerships, interests in 103-12 investment entities, that are not traded on a national exchange, are stated at NAV. The NAV is used as a practical expedient to estimate fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

**D. Payment of Benefits:**

Benefit payments to participants are recorded upon distribution.

**E. Operating Expenses:**

The Trust's expenses are paid by the Trust as provided in the Plan Document. Certain expenses incurred in connection with the general administration of the Trust that are paid by the Trust are recorded as deductions in the accompanying statement of changes in net assets available for benefits. In addition, certain investment related expenses are included in net realized and unrealized gains/(loss) on investments presented in the accompanying statement of changes in net assets available for benefits.

**F. 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.

**G. Reclassification:**

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

**H. Uncertain Tax Position**

The Trust has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. The Trust believes the Trust has not taken uncertain tax positions that require adjustment to the financial statements as a tax liability. Informational tax returns, for tax years for which the applicable statutes of limitations have not expired, are subject to examination by authorities.

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**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, 2018 and 2017.

**B. Contributions:**

During the years ended December 31, 2018 and 2017, the Trust received contributions from employers in various contracted payment types and amounts. The principal types of contributions were received as follows:

	<u>Hourly</u>
January 1, 2017 - December 31, 2018	\$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, 2018, 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, 2036.

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**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.

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 sufficiency 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, 2018 and 2017, was prepared by U.S. Bank and furnished to the Administrator.

	<u>2018</u>	<u>2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Money market funds	\$ 1,051,932	\$ 925,574
Mutual funds	17,037,562	15,728,739
Common collective funds	181,573,993	195,226,355
103-12 investment entities	48,772,636	56,846,279
Limited partnerships	35,524,443	53,874,920
Other:		
Infrastructure investment fund	8,404,370	8,495,797
	<u>\$ 292,364,936</u>	<u>\$ 331,097,664</u>

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**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 or 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)

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

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

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

The following is a summary of the inputs used as of December 31, 2018 in valuing the Trust's investments carried at fair value:

	Level 1	Level 2	Level 3	Total 2018
Money market funds	\$ 1,051,932	\$ -	\$ -	\$ 1,051,932
Mutual fund	17,037,562	-	-	17,037,562
Limited partnership	<u>26,357,471</u>	<u>-</u>	<u>-</u>	<u>26,357,471</u>
Total assets in the fair value hierarchy	<u>\$ 44,446,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,446,965</u>
Investments measured at net asset value (*)				\$ 247,917,971
Total				<u>\$ 292,364,936</u>

(\*) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value 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, 2017 in valuing the Trust's investments carried at fair value:

	Level 1	Level 2	Level 3	Total 2017
Money market funds	\$ 925,574	\$ -	\$ -	\$ 925,574
Mutual fund	15,728,739	-	-	15,728,739
Limited partnership	<u>25,564,480</u>	<u>-</u>	<u>-</u>	<u>25,564,480</u>
Total assets in the fair value hierarchy	<u>\$ 42,218,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,218,793</u>
Investments measured at net asset value (*)				\$ 288,878,871
Total				<u>\$ 331,097,664</u>

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

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

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

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

At December 31, 2018, unfunded commitments and redemption rules of those investments are as follows:

	<u>December 31, 2018</u>			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Loomis Sayles	\$ 63,621,886	\$ -	Daily	3 Days
BlackRock Index Non-Lending	31,213,799	-	Daily	Daily
Invesco Balanced Risk	46,602,126	-	Daily	Daily
ASB Allegiance Real Estate Fund	25,808,958	-	Quarterly	N/A
Intech US Adaptive Volatility	27,859,537	-	Daily	10 Days
Panagora US Small Cap Core Fund	15,183,447	-	Bi-monthly	3 Days
JP Morgan Special Situation	14,327,224	-	Quarterly	45 Days
JP Morgan ERISA II	8,404,370	-	March 31 or Sept. 30	45 Days
IFM Global Infrastructure	9,123,885	-	Quarterly	90 Days
Invesco Real Estate Fund II	43,087	959,600	N/A	N/A
Brandes Intl S/C Equity Fund	5,729,652	-	Monthly	30 Days
	<u>\$ 247,917,971</u>	<u>\$ 959,600</u>		

At December 31, 2017, unfunded commitments and redemption rules of those investments are as follows:

	<u>December 31, 2017</u>			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Loomis Sayles	\$ 70,907,544	\$ -	Daily	3 Days
BlackRock Index Non-Lending	41,802,533	-	Daily	Daily
Invesco Balanced Risk	36,505,068	-	Daily	Daily
ASB Allegiance Real Estate Fund	32,942,746	-	Quarterly	N/A
Intech US Managed Volatility	31,363,314	-	Daily	1 Day
Grosvenor Institutional Partners	17,656,893	-	Quarterly	70 Days
Panagora US Small Cap Core Fund	18,531,233	-	Bi-monthly	2 Days
JP Morgan Special Situation	13,068,464	-	Quarterly	45 Days
JP Morgan ERISA II	8,495,797	-	March 31 or Sept. 30	45 Days
IFM Global Infrastructure	10,608,109	-	Quarterly	90 Days
Invesco Real Estate Fund II	45,438	959,600	N/A	N/A
Brandes Intl S/C Equity Fund	6,951,732	-	Monthly	30 Days
	<u>\$ 288,878,871</u>	<u>\$ 959,600</u>		

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

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

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

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

JP Morgan ERISA II 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 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, 2018, the most recent valuation, were (a) life expectancy of participants (the 2018 static 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, 2018. Had the valuation been performed on December 31, 2017 there would be no material differences.



**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

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

The actuarial present value of accumulated plan benefits, at January 1, 2018 and the changes in accumulated plan benefits for the year then ended, as developed by the Fund's actuary, follows:

STATEMENT OF ACCUMULATED PLAN BENEFITS

(as of January 1, 2018)

	2018
Actuarial present value of accumulated plan benefits:	
Vested benefits in a payment status	\$ 385,007,229
Other participants' vested benefits	159,635,051
Total vested benefits	544,642,280
Nonvested benefits	692,165
Total year end actuarial present value	\$ 545,334,445

STATEMENT OF CHANGE IN ACCUMULATED PLAN BENEFITS

(for the year ended January 1, 2018)

	2018
Actuarial present value of accumulated plan benefits at beginning of plan year	\$ 534,050,659
Increase/(decrease) during year due to:	
Benefits accumulated and actuarial experience	741,451
Actuarial assumption changes	13,415,654
Increase for interest	37,263,706
Benefits paid	(40,137,025)
Net increase	11,283,786
Actuarial present value of accumulated plan benefits at end of plan year	\$ 545,334,445

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**NOTE 7 – EMPLOYER WITHDRAWAL LIABILITY**

Under the Multiemployer Pension Plan Amendments Act of 1980, as amended by the Deficit Reduction Act of 1984, employers that withdraw from the Plan are liable for a share of the Plan's unfunded vested benefits.

As of December 31, 2018 and 2017, there were 153 and 140 employers with assessed withdrawal liabilities and 10 that were assessed a withdrawal liability during the current period who are required to make payments to the Plan to reduce their withdrawal liability. Payments can be made quarterly with payment lengths from full one time payment to 20 years depending on the terms of the agreement. The present value for future stream of payments from those employers as of December 31, 2018 and 2017 is \$64,172,258 and \$62,625,273, 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. Payments received from withdrawn employers for the year ending December 31, 2018 and 2017 totaled \$6,876,543 and \$3,489,232, respectively.

**NOTE 8 – 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.

**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

**NOTE 9 - 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, 2018 and 2017 respectively:

				<u>December 31, 2018</u>
<u>Investment Manager</u>	<u>Total Commitment</u>	<u>Drawn to Date</u>	<u>Remaining Commitment</u>	
Invesco Real Estate Fund II	\$ 12,000,000	\$ 11,040,400	\$ 959,600	
				<u>December 31, 2017</u>
<u>Investment Manager</u>	<u>Total Commitment</u>	<u>Drawn to Date</u>	<u>Remaining Commitment</u>	
Invesco Real Estate Fund II	\$ 12,000,000	\$ 11,040,400	\$ 959,600	

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 10, 2019 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, 2018 that required recognition or disclosure in the financial statements.