

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

FINANCIAL STATEMENTS

December 31, 2014 and 2013

**WESTERN STATES OFFICE & PROFESSIONAL
EMPLOYEES PENSION FUND
FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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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, 2014 and 2013, 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.



HEMMING
MORSE, LLP

CERTIFIED PUBLIC ACCOUNTANTS
AND FORENSIC CONSULTANTS

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, 2014, and changes therein for the year then ended and its financial status as of December 31, 2013, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Francisco, CA

WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2014 and 2013

ASSETS

	2014	2013
Investments (Notes 2C and 5)	\$ 354,092,991	\$ 358,992,980
Receivables:		
Employer contributions (Notes 2B and 3A)	748,204	791,501
Withdrawal liability contributions receivable (Note 7)	-	-
	748,204	791,501
Cash Accounts:		
Transit savings	1,261,544	8,441,043
Commercial accounts	231,506	238,562
	1,493,050	8,679,605
Other:		
Prepaid benefits	3,224,241	3,175,043
Prepaid insurance	819	819
	3,225,060	3,175,862
Total assets	359,559,305	371,639,948
LIABILITIES		
Liabilities:		
Accounts payable	310,286	237,483
Unprocessed contributions	-	68,592
Total liabilities	310,286	306,075
Net Assets Available for Benefits	\$ 359,249,019	\$ 371,333,873

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, 2014 and 2013

	2014	2013
Additions:		
Employer contributions (Notes 2B and 3A)	5,064,945	6,485,023
Withdrawal liability income (Note 7)	1,570,022	1,674,335
Supplemental contributions (Note 3B)	3,673,084	2,656,274
Surcharge contributions (Note 3B)	103,387	228,709
Liquidated damages	3,023	29,967
	10,414,461	11,074,308
 Investment income:		
Realized and unrealized gain on investments, net (Note 5A)	16,362,461	44,753,961
Interest and dividends	2,276,929	1,918,726
	18,639,390	46,672,687
Less: investment expenses	(1,424,385)	(1,306,358)
	17,215,005	45,366,329
 Other income	22,133	75,682
Total additions	27,651,599	56,516,319
 Deductions:		
Pension benefits (Note 1B)	38,445,844	37,690,222
Administrative fees	420,000	408,584
Professional services:		
Legal	124,673	126,608
Consultant and actuary	185,197	188,488
Investment consulting	197,919	200,499
Auditing:		
Financial	32,632	34,314
Payroll	44,098	40,591
	584,519	590,500

(Continued)

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

EXHIBIT B

WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - (Continued)
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General expenses:		
Insurance	173,117	193,519
Printing & postage	34,675	26,215
Educational seminars and meetings	66,440	70,551
Miscellaneous	11,858	8,658
	<u>286,090</u>	<u>298,943</u>
 Total operating expenses	 <u>1,290,609</u>	 <u>1,298,027</u>
 Total deductions	 <u>39,736,453</u>	 <u>38,988,249</u>
 Increase/(decrease) in net assets available for benefits	 (12,084,854)	 17,528,070
 Net Assets Available for Benefits:		
Beginning of year	<u>371,333,873</u>	<u>353,805,803</u>
End of year	<u>\$ 359,249,019</u>	<u>\$ 371,333,873</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 PLAN

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.

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.

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

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 and MSCI ACWI ex-U.S. IMI Index Non-Lendable Funds are 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. 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 American Core Realty Fund is a limited liability company, whose investment is valued based upon quarterly independent appraisals.

The EB DV Global Alpha I Fund of the Bank of New York Mellon is a common collective trust. The investment is valued based upon market valuations obtained from a recognized automated pricing service or broker, subject to review and approval by the Bank of New York Mellon.

**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)

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.

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.

Invesco Balanced-Risk Allocation Trust is a common collective trust with equity and exchange-traded funds traded on national securities exchanges or in the over-the-counter market. These securities are valued at the last price, if available, on the market where such securities or ETFs are primarily traded. If the last price is not available, securities generally are valued at the closing bid price from the primary exchange.

The Onshore Gresham A+ Fund, LLC is a 103-12 entity. The Fund values investments in future contracts at their last sales price as of the last business day of the period. The fair value of United States Treasury Securities is generally based on quoted prices in active markets or a valuation model that uses inputs that include interest rate yield curves similar to the bond in terms of issuer, maturity, and seniority.

The JP Morgan IIF ERISA LP is an infrastructure investment fund with investments valued by independent appraisers on an annual basis.

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.

**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)

The GAM U.S. Institutional Trading II L.P. is a hedge fund with investments valued based upon investment type. The fair value of financial instruments traded in active markets is based upon quoted market prices at the balance sheet date. Investments that are not quoted on an active market are valued based on the estimate provided by the relevant manager. Investments in collective investment vehicles are valued on the basis of the more recent price or valuation provided by the relevant fund manager.

D. Uncertain Tax Positions:

The Trust has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. The Trust administrator believes that the Trust has not taken uncertain tax positions that require adjustment to the financial statements as a tax liability. The Trust administrator believes it is no longer subject to income tax examinations for fiscal years prior to December 31, 2011.

NOTE 3 – FUNDING POLICY

A. Contributions:

During the years ended December 31, 2014 and 2013, 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, 2013 - December 31, 2013	\$0.05 - 9.32
January 1, 2014 - December 31, 2014	\$0.05 - 9.95

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

NOTE 3 – FUNDING POLICY – (Continued)

B. 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. The Trust’s actuary certified that the Trust continued to be in critical status for the plan year beginning January 1, 2014. 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, 2015, the Trust’s actuary has certified that the Trust will remain in critical status. The Trust continued to be certified in critical status since it has not “emerged,” where emergence is defined as having a positive credit balance in the coming year or any of the following nine plan years (IRC 432(e)(4)(B)).

NOTE 4 - PLAN TERMINATIONS

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 Trust are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Trust terminates.

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

NOTE 5 - INVESTMENTS

A. General:

The following information included in the Trust's financial statements as of December 31, 2014 and 2013, was prepared by the investment managers. Investments are invested in accordance with an investment policy and program directed by the Board of Trustees and their selected investment advisor. The investment managers are selected by the Board of Trustees.

	<u>2014</u>	<u>2013</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Common collective funds	\$ 196,783,501	\$ 186,086,168
103-12 investment entities	37,089,135	57,966,651
Limited partnership	29,415,321	19,130,068
Other:		
Hedge fund	16,837,215	16,065,263
Real estate funds	14,728,192	15,728,819
Limited liability company	27,305,409	25,944,896
Cash overlay	21,228,593	26,524,826
Infrastructure investment fund	10,283,004	11,066,691
Due from broker	422,621	479,598
	<u>\$ 354,092,991</u>	<u>\$ 358,992,980</u>

Included in investments at December 31, 2014 and 2013 are the following which represent five percent or more of net assets available for benefits.

	<u>Fair Value</u>	<u>Fair Value</u>
	<u>2014</u>	<u>2013</u>
BlackRock MSCI ACWI Ex-U.S. Fund	\$ 41,821,939	\$ 45,314,256
BlackRock Index Non-Lendable Fund	42,028,749	47,204,848
Western Asset U.S. Core Plus, LLC	n/a	20,139,056
INTECH US Managed Volatility Fund, LLC	26,436,604	25,082,279
Loomis Core Plus Full Discretion Trust	43,179,518	21,397,227
American Core Realty Fund, LLC	27,305,409	25,944,896
EB DV Global Alpha I Fund of the Bank of New York Mellon	26,598,400	29,403,945
Grosvenor Institutional Partners	19,736,275	19,130,068
Invesco Balanced-Risk Allocation Trust	43,154,894	42,765,892
Clifton Group Synthetic Russell 2000	n/a	19,816,957

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

NOTE 5 - INVESTMENTS – (Continued)

A. General: – (Continued)

During the years ended December 31, 2014 and 2013, the Trust's investments (including investments bought, sold as well as held during the year) appreciated/(depreciated) in value as follows:

	<u>2014</u>	<u>2013</u>
Common collective funds	\$ 11,497,332	\$ 21,623,892
103-12 investment entities	2,148,209	454,079
Limited partnership	816,297	2,697,966
Other:		
Hedge fund	704,143	(26,395)
Insurance contract	-	9,757,435
Real estate funds	682,800	1,794,667
Limited liability corporation	1,589,832	1,674,399
Cash overlay	(1,087,758)	5,873,059
Infrastructure investment fund	11,606	904,859
	<u>\$ 16,362,461</u>	<u>\$ 44,753,961</u>

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.

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

NOTE 5 - INVESTMENTS – (Continued)

B. Fair Value Measurements: - (Continued)

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)

The following is a summary of the inputs used as of December 31, 2014 in valuing the Trust’s investments carried at value:

	Level 1	Level 2	Level 3	Total 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Limited partnership:				
Grosvenor Institutional Partners	\$ TBD	\$ TBD	\$ TBD	\$ TBD
Common collective funds:				
BlackRock Equity Index Non-Lendable Fund				
BlackRock MSCI ACWI Ex-US Index				
Loomis Core Plus Full Discretion Trust				
EB DV Global Alpha I Fund of the Bank of New York Mellon				
Invesco Balanced-Risk Allocation Trust				
103-12 investment entities:				
INTECH US Managed Volatility Fund, LLC				
The Onshore Gresham A+ Fund				
Other:				
Due from broker				
Hedge fund				
GAM Institutional Trading, LP				
Real estate funds:				
Invesco Real Estate II Fund				
IFM Global Infrastructure Fund				
Limited liability company:				
American Core Realty Fund, LLC				
Cash overlay:				
Clifton Group Cash Overlay				
Clifton Group Synthetic Russell 2000				
Infrastructure investment fund:				
JP Morgan IIF ERISA				
Total	<u>\$ TBD</u>	<u>\$ TBD</u>	<u>\$ TBD</u>	<u>\$ TBD</u>

**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, 2013 in valuing the Trust's investments carried at value:

	Level 1	Level 2	Level 3	Total 2013
Common collective funds:				
BlackRock Equity Index Non-Lendable Fund	\$ -	\$ 47,204,848	\$ -	\$ 47,204,848
BlackRock MSCI ACWI Ex-US Index	-	45,314,256	-	45,314,256
Loomis Core Plus Full Discretion Trust	-	21,397,227	-	21,397,227
EB DV Global Alpha I Fund of the Bank of New York Mellon	-	29,403,945	-	29,403,945
Invesco Balanced-Risk Allocation Trust	-	42,765,892	-	42,765,892
103-12 investment entities:				
WAMCO US Core Plus, LLC	-	20,139,056	-	20,139,056
INTECH US Managed Volatility Fund, LLC	-	25,082,279	-	25,082,279
The Onshore Gresham A+ Fund	-	12,745,316	-	12,745,316
Other:				
Due from broker	-	-	479,598	479,598
Hedge fund				
GAM Institutional Trading, LP	-	-	16,065,263	16,065,263
Real estate funds:				
Invesco Real Estate II Fund	-	-	5,778,256	5,778,256
IFM Global Infrastructure Fund	-	-	9,950,563	9,950,563
Limited partnership:				
Grosvenor Institutional Partners	-	-	19,130,068	19,130,068
Limited liability company:				
American Core Realty Fund, LLC	-	-	25,944,896	25,944,896
Cash overlay:				
Clifton Group Cash Overlay	6,707,869	-	-	6,707,869
Clifton Group Synthetic Russell 2000	19,816,957	-	-	19,816,957
Infrastructure investment fund:				
JP Morgan IIF ERISA	-	-	11,066,691	11,066,691
Total	\$ 26,524,826	\$ 244,052,819	\$ 88,415,335	\$ 358,992,980

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

NOTE 5 – INVESTMENTS - (Continued)

B. Fair Value Measurements: – (Continued)

Level 3 investment activity for the year ended December 31, 2014 is as follows:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Fair Value at December 31, 2013	Purchases	Sales/ Redemptions	Realized and Unrealized gains/(losses)	Transfer In/(Out) of Level 3	Fair Value at December 31, 2014
TBD	\$ TBD	\$ TBD	\$ TBD	\$ TBD	\$ TBD	\$ TBD
↓	↓	↓	↓	↓	↓	↓
	TBD	\$ TBD	\$ TBD	\$ TBD	\$ TBD	\$ TBD

Level 3 investment activity for the year ended December 31, 2013 is as follows:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	Fair Value at December 31, 2012	Purchases	Sales/ Redemptions	Realized and Unrealized gains/(losses)	Transfer In/(Out) of Level 3	Fair Value at December 31, 2013
Grosvenor Institutional Partners	\$ 16,638,099	\$ -	\$ (205,997)	\$ 2,697,966	\$ -	\$ 19,130,068
American Core Realty Fund, LLC	24,484,533	1,286,881	(1,500,917)	1,674,399	-	25,944,896
JP Morgan IIF - ERISA	10,904,643	-	(742,811)	904,859	-	11,066,691
IFM Global Infrastructure Fund	9,782,552	256,635	(455,012)	366,388	-	9,950,563
Invesco Real Estate II Fund	10,672,435	200,349	(6,522,807)	1,428,279	-	5,778,256
GAM Institutional Trading, LP	16,043,110	48,548	-	(26,395)	-	16,065,263
Pending Trades	446,414	479,598	(446,414)	-	-	479,598
	88,971,786	\$ 2,272,011	\$ (9,873,958)	\$ 7,045,496	\$ -	\$ 88,415,335

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

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, 2014, the most recent valuation, were (a) life expectancy of participants (the 1983 GAMF 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 actuarial present value of accumulated plan benefits, at January 1, 2014 and 2013 and the changes in accumulated plan benefits for the years then ended, as developed by the Fund's actuary, follows:

STATEMENTS OF ACCUMULATED PLAN BENEFITS

(as of January 1, 2014 and 2013)

	<u>2014</u>	<u>2013</u>
Actuarial present value of accumulated plan benefits:		
Vested benefits in a payment status	\$ 355,760,294	\$ 353,455,616
Other participants' vested benefits	<u>182,136,207</u>	<u>182,380,026</u>
Total vested benefits	537,896,501	535,835,642
Nonvested benefits	<u>1,059,904</u>	<u>2,554,002</u>
Total year end actuarial present value	<u>\$ 538,956,405</u>	<u>\$ 538,389,644</u>

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

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

STATEMENTS OF CHANGE IN ACCUMULATED PLAN BENEFITS
(for years ended January 1, 2014 and 2013)

	<u>2014</u>	<u>2013</u>
Actuarial present value of accumulated plan benefits at beginning of plan year	\$ <u>538,389,644</u>	\$ <u>536,525,258</u>
Increase/(decrease) during year due to:		
Benefits accumulated	590,004	1,598,084
Increase for interest	37,666,979	37,546,668
Benefits paid	<u>(37,690,222)</u>	<u>(37,280,366)</u>
Net increase	<u>566,761</u>	<u>1,864,386</u>
Actuarial present value of accumulated plan benefits at end of plan year	\$ <u><u>538,956,405</u></u>	\$ <u><u>538,389,644</u></u>

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 is TBD. 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.

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

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 6% of the Western States Office & Professional Employees Pension Fund investment portfolio for the year ended December 31, 2014. 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.

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.

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

NOTE 9 – CONCENTRATION OF CREDIT RISK

The following footnote is a general description of the deposit insurance as outlined by The Federal Deposit Insurance Corporation (FDIC). The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC insured bank or savings association fails. Effective July 21, 2010, the FDIC deposit insurance coverage permanently increased to \$250,000 per depositor. For some employee benefit plans, the FDIC provides coverage known as “pass-through” insurance in which the coverage passes through the plan administrator to each participant’s interest or share. Additionally, the FDIC established the Temporary Liquidity Guarantee Program (TLG Program). The TLG Program provides an unlimited coverage for noninterest-bearing transaction accounts. This coverage became effective October 14, 2008 and will continue through December 31, 2010. Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act extended the unlimited coverage from December 31, 2010 through December 31, 2012. Effective January 1, 2013, noninterest-bearing transaction accounts will be added to any of a depositor’s other accounts at the same FDIC-insured depository institution, and the aggregate balance insured up to at least the standard maximum deposit insurance amount of \$250,000. The rules are a general description and may be applied differently to specific Trust Funds and specific situations.

NOTE 10 – 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 11 - 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 year ended December 31, 2014:

<u>Investment Manager</u>	<u>Total Commitment</u>	<u>Drawn to Date</u>	<u>Remaining Commitment</u>
TBD	\$ TBD	\$ TBD	\$ TBD

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

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, 2014 that required recognition or disclosure in the financial statements.