

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

**FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**



**WESTERN STATES OFFICE & PROFESSIONAL  
EMPLOYEES PENSION FUND  
FINANCIAL STATEMENTS  
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**TABLE OF CONTENTS**

	<u>Page</u>
Independent auditor's report	2
EXHIBIT A: Statements of net assets available for benefits as of December 31, 2009 and 2008	3
EXHIBIT B: Statements of changes in net assets available for benefits for the years ended December 31, 2009 and 2008	4-5
Notes to the financial statements	6-16

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Western States Office & Professional  
Employees Pension Fund

We have audited the accompanying statements of net assets available for benefits of the Western States Office & Professional Employees Pension Fund as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Fund's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Fund's net assets available for benefits as of December 31, 2009, and changes therein for the year then ended and its financial status as of December 31, 2008, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Francisco, California

**WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**December 31, 2009 and 2008**

<b>ASSETS</b>		
	<u>2009</u>	<u>2008</u>
<b>Investments (Notes 2C and 5)</b>	\$ <u>346,216,221</u>	\$ <u>322,603,896</u>
<b>Receivables:</b>		
Employer contributions (Notes 2B and 3)	<u>658,076</u>	<u>760,372</u>
<b>Cash:</b>		
Transit savings	400,000	729,033
Commercial accounts	188,139	67,502
Benefit account	<u>400,760</u>	<u>2,772,011</u>
	<u>988,899</u>	<u>3,568,546</u>
<b>Other:</b>		
Prepaid expenses	<u>3,133,717</u>	<u>-</u>
Total assets	<u>350,996,913</u>	<u>326,932,814</u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Due to broker	-	66,862
Accounts payable	<u>267,302</u>	<u>292,739</u>
Total liabilities	<u>267,302</u>	<u>359,601</u>
<b>Net Assets Available for Benefits</b>	\$ <u>350,729,611</u>	\$ <u>326,573,213</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Additions:</b>		
Employer contributions (Notes 2B and 3)	\$ 8,004,785	\$ 8,277,807
Pension rollovers	269,487	48,918
Liquidated damages	<u>6,988</u>	<u>-</u>
	<u>8,281,260</u>	<u>8,326,725</u>
Investment income:		
Realized and unrealized gain/(loss) on investments, net (Note 5)	49,063,159	(161,455,420)
Interest and dividends	<u>3,636,873</u>	<u>3,986,472</u>
	52,700,032	(157,468,948)
Less investment expenses	<u>(1,236,369)</u>	<u>(2,126,263)</u>
	<u>51,463,663</u>	<u>(159,595,211)</u>
Other income	<u>13,559</u>	<u>70,961</u>
Total additions	<u>59,758,482</u>	<u>(151,197,525)</u>
<b>Deductions:</b>		
Pension benefits (Note 1B)	<u>34,155,460</u>	<u>32,853,989</u>
Administrative fees	<u>433,326</u>	<u>332,111</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Professional services:		
Legal	219,383	87,410
Consultant	115,920	115,920
Actuary	132,760	11,900
Investment consulting	158,817	126,150
Auditing:		
Financial	35,050	22,500
Payroll	<u>36,222</u>	<u>29,766</u>
	<u>698,152</u>	<u>393,646</u>
General expenses:		
Insurance	151,304	148,985
Printing and postage	48,744	36,992
Educational seminars and meetings	91,651	87,908
U.S. Treasury fee	9,000	-
Miscellaneous	<u>14,447</u>	<u>2,895</u>
	<u>315,146</u>	<u>276,780</u>
 Total operating expenses	 <u>1,446,624</u>	 <u>1,002,537</u>
 Total deductions	 <u>35,602,084</u>	 <u>33,856,526</u>
 Increase/(decrease) in net assets available for benefits	 24,156,398	 (185,054,051)
 <b>Net Assets Available for Benefits:</b>		
Beginning of year	<u>326,573,213</u>	<u>511,627,264</u>
End of year	<u>\$ 350,729,611</u>	<u>\$ 326,573,213</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 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 Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is exempt from federal and California taxes on income under the current provisions of the Internal Revenue Code and the California Revenue and Taxation Code, respectively.

**B. Plan Benefits:**

In general, participants who are age 62 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 Fund'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.

**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 Fund 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.



**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**

The Blackrock Global Investors Alpha Tilts Fund investment is valued based upon closing prices on the valuation date provided by independent pricing services.

The AXA Rosenberg 2<sup>nd</sup> Tier Trust Fund investment is valued based upon the last reported sale price on the valuation date for investments which market quotations are readily available, or at the mean between the last reported bid and asked prices, or at fair value as determined in good faith by the Trustee.

The Loomis Core Plus Full Discretion TR C investment is valued based upon the last sales price or official closing price on each business day.

The Mellon Bank Global Alpha I Fund investment is valued based upon market valuations obtained from a recognized automated pricing service or broker, subject to review and approval by the Trustee.

The Collective Short Term Investment Trust investment is valued at amortized cost, which in the normal course approximates fair value.

The Alliance Bernstein Taft Hartley International Growth investment is valued based upon the closing price on the valuation date for securities listed and traded on any generally recognized securities exchange.

The Alliance Bernstein Taft Hartley International Value investment is valued based upon the closing price on the valuation date for securities listed and traded on any generally recognized securities exchange.

The WAMCO US Commodity Plus, LLC investment is valued based upon valuations furnished by a pricing service approved by the Fund's investment manager, or at fair value as determined in good faith by the Fund's investment manager.

The WAMCO US Core Plus, LLC investment is valued based upon valuations furnished by a pricing service approved by the Fund's investment manager, or at fair value as determined in good faith by the Fund's investment manager.

**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 Intech Enhanced Plus Fund, LLC investment is valued based upon the last reported sale price on the valuation date for investments which market quotations are readily available, or at the mean between the last reported bid and asked prices, or at fair value as determined in good faith by the Trustee.

The Vanguard Bond Index investment is valued based upon the latest bid prices or using valuations based on a matrix system, both as furnished by independent pricing services.

The Vanguard Total International Stock Index investment is valued based upon the value at the close of trading on the New York Stock Exchange on the valuation date.

The American Core Realty Fund investment is valued based upon annual independent appraisals obtained on or about the asset's acquisition anniversary date.

The MIREF, I investment is valued based upon independent appraisal reports prepared annually by third-party appraisers.

The Invesco Real Estate II Fund investment is valued based upon internal judgments on at least an annual basis and are appraised by an independent third party every three years.

The IFM Global Infrastructure Fund investment is valued based upon independent valuations prepared to estimate the fair market value of investments on a quarterly basis.

The AEGON Monumental Life Insurance investment is valued based upon the Standard & Poor's 500 Total Return Index at the close of a business day as found on Bloomberg or other reliable source.

The Grosvenor Institutional Partners investment is valued based upon an amount generally equal to the net asset value of the Fund's investment in the portfolio funds as determined by the fund's general partner or investment manager.

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

**NOTE 3 - FUNDING POLICY**

**A. Contributions**

During the years ended December 31, 2009 and 2008, the Fund received contributions from employers in various contracted payment types and amounts. The principal type of contributions were received as follows:

	<u>Hourly</u>
January, 2008 - December, 2008	\$.005 - 8.19
January, 2009 - December, 2009	0.30 – 8.44

**B. Pension Protection Act of 2006**

Under the Pension Protection Act of 2006 ( the Act), the plan’s actuary has certified that the Plan was in Critical-Red Zone (the Plan is less than 65% funded and projected funding deficiency within 5 years or inability to pay benefits within 7 years) status as of December 31, 2008. On October 16, 2009 the Board of Trustees approved implementing the Plan’s Funding improvement Plan (FIP) as required under the Act. As part of the FIP, effective November 25, 2009, a 5% surcharge was applied to pension contributions on hours starting August 1, 2009 through December 31, 2009. A 10% surcharge will be applied to pension contributions on hours worked starting January 1, 2010 through November 30, 2012. Starting December 1, 2012, the 10% surcharge will be replaced by the supplemental contribution percentages on either the Supplemental Employer Contribution Schedule adopted by the bargaining parties or the Default Supplemental Employer Contribution Schedule. Also, as part of the FIP, the Trustees made changes to the Plan’s benefit structure to improve the Plan’s funding status.

For the plan year beginning January 1, 2010, the plan's actuary has certified the Plan will be in Critical - Red Status - the Plan will be less than 65% funded and will have a projected funding deficiency within 5 years or inability to pay benefits within 7 years. As part of the original FIP, a 10% surcharge will be applied to pension contributions on hours worked starting January 1, 2010 through November 30, 2012. Starting December 1, 2012, the 10% surcharge will be replaced by the supplemental contribution percentages on either the Supplemental Employer Contribution Schedule adopted by the bargaining parties or the Default Supplemental Employer Contribution Schedule.

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

**NOTE 4 - PLAN TERMINATIONS**

The Board of Trustees has the right to discontinue or terminate the Fund 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 insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates.

**NOTE 5 - INVESTMENTS**

**A. General**

The following information included in the Fund's financial statements as of December 31, 2009 and 2008, was prepared by Bank of New York, Blackrock Investment Management, AXA Rosenberg, Western Asset Management Company, Mellon Capital Management, Alliance Bernstein, AEGON Institutional Markets, American Realty Advisors, McMorgan and Company, Loomis Sayles, INTECH Investment Management, Vanguard, Industry Funds Management, Grosvenor Capital Management, and Invesco. Investments are invested in accordance with an investment policy and program directed by the Board of Trustees and their selected financial advisor. The investment managers are selected by the Board of Trustees. The Administrator has obtained certification from the companies that such information is complete and accurate at December 31, 2009 and 2008.

	2009 Fair Value	2008 Fair Value
Common collective funds	\$ 138,928,167	\$ 127,449,146
103-12 Investment entities	79,515,170	68,971,471
Mutual funds	41,623,740	35,920,805
Cash equivalents	3	3
Insurance contract	41,266,091	32,386,832
Other:		
Due from broker	1,875,200	-
Real estate funds	40,981,821	57,875,639
Hedge fund	<u>2,026,029</u>	<u>-</u>
	<u>\$ 346,216,221</u>	<u>\$ 322,603,896</u>

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

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

**A. General – (Continued)**

Included in investments at December 31, 2009 are the following which represent five percent or more of net assets available for benefits.

	<u>Fair Market Value</u>
Loomis Core Plus Full Discretion Trust	\$ 31,116,346
Intech Enhanced Plus Fund, LLC	25,224,912
American Core Realty Fund, LLC	18,536,699
Mellon Bank – EB Global Alpha 1 Fund	60,134,472
Blackrock – Alpha Tilts Fund	28,519,653
Monumental Life – S&P 500 Total Return Index	41,266,091
Vanguard Star Total International Stock Index Fund	26,852,647
AXA Rosenberg Second Tier Trust Fund	19,157,695

**Net Appreciation (Depreciation) in Fair Value:**

During the years ended December 31, 2009 and 2008, the Fund's investments (including investments bought, sold as well as held during the year) appreciated/(depreciated) in value as follows:

	<u>2009</u>	<u>2008</u>
<b>Investments at fair value as determined by quoted market price:</b>		
Common stock	\$ -	\$ (1,738,665)
Mutual funds	<u>7,183,003</u>	<u>2,323,057</u>
	<u>7,183,003</u>	<u>584,392</u>
<b>Investments at estimated fair value:</b>		
Common collective funds	33,565,514	(90,681,090)
103-12 Investment entities	18,624,743	(44,832,757)
Insurance contract	8,879,259	(17,802,189)
Other:		
Real estate funds	(19,215,389)	(8,723,776)
Hedge fund	<u>26,029</u>	<u>-</u>
	<u>41,880,156</u>	<u>(162,039,812)</u>
	<u>\$ 49,063,159</u>	<u>\$ (161,455,420)</u>

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

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

**B. Fair Value Measurements**

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”). In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 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 Fund’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, 2009 in valuing the Fund's investments carries at value:

	Level <u>1</u>	Level <u>2</u>	Level <u>3</u>	Total <u>2009</u>
Common collective funds				
Blackrock Global Investors				
Alpha Tilts Fund	\$ -	\$ 28,519,653	\$ -	\$ 28,519,653
AXA Rosenberg 2 <sup>nd</sup> Tier Trust				
Fund	-	19,157,695	-	19,157,695
Loomis Core Plus Full Discretion				
TR C	-	31,116,346	-	31,116,346
Mellon Bank Global Alpha I Fund	-	60,134,472		60,134,472
Collective Short Term Investment				
Trust	-	1	-	1
103-12 Investment entities				
Alliance Bernstein Taft Hartley				
International Growth	-	11,002,423	-	11,002,423
Alliance Bernstein Taft Hartley				
International Value	-	12,000,084	-	12,000,084
WAMCO US Commodity Plus,				
LLC	-	15,485,322	-	15,485,322
WAMCO US Core Plus, LLC	-	15,802,429	-	15,802,429
Intech Enhanced Plus Fund, LLC	-	25,224,912	-	25,224,912
Mutual funds				
Vanguard Bond Index	14,771,693	-	-	14,771,693
Vanguard Total International Stock				
Index	26,852,047	-	-	26,852,047
Cash equivalents				
Blackrock Short Term Income Fund	3	-	-	3
Due from broker	1,875,200	-	-	1,875,200
Other:				
Real estate funds				
American Core Realty Fund	-	-	18,536,699	18,536,699
MIREF, I	-	-	16,089,581	16,089,581
Invesco Real Estate II Fund	-	-	1,050,603	1,050,603
IFM Global Infrastructure Fund	-	-	5,304,938	5,304,938
Insurance contract				
AEGON Monumental Life				
Insurance	-	41,266,091	-	41,226,091
Hedge fund				
Grosvenor Institutional Partners	-	-	2,026,029	2,026,029
	<u>\$ 43,498,943</u>	<u>\$ 259,709,428</u>	<u>\$ 43,007,850</u>	<u>\$ 346,216,221</u>

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

**B. Fair Value Measurement: (Continued)**

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)					
	American Core <u>Realty Fund</u>	<u>MIREF,I</u>	Invesco <u>Real Estate II Fund</u>	IFM Global Infrastructure <u>Fund</u>	<u>Subtotal</u>
Beginning Balance	\$ 29,345,282	\$ 27,307,013	\$ 1,223,344	\$ -	\$ 57,875,639
Unrealized gains/(losses)	(9,999,660)	(7,621,443)	(1,845,287)	251,000	(19,215,390)
Purchases	1,314,360	506,058	1,712,905	5,054,557	8,587,880
(Sales)	<u>(2,123,283)</u>	<u>(4,102,047)</u>	<u>(40,359)</u>	<u>(619)</u>	<u>(6,266,668)</u>
Ending Balance	<u>18,536,699</u>	<u>16,089,581</u>	<u>1,050,603</u>	<u>5,304,938</u>	<u>40,981,821</u>
				Grosvenor Institutional <u>Partners</u>	<u>Grand Total</u>
Beginning Balance				-	57,875,639
Unrealized gains/(losses)				26,029	(19,189,361)
Purchases				2,000,000	10,587,880
(Sales)				<u>-</u>	<u>(6,266,308)</u>
Ending Balance				<u>\$ 2,026,029</u>	<u>\$ 43,007,850</u>

**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 December 31, 2008, the most recent valuation, were (a) life expectancy of participants (the 1983 Group Annuity Mortality Table was used,) (b) retirement age assumptions (age 62 and 5 years of service) and (c) investment return (assumed at 7.25% per annum).



**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 December 31, 2008 and 2007 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 December 31, 2008 and 2007)

	<u>2008</u>	<u>2007</u>
Actuarial present value of accumulated plan benefits:		
Vested benefits in a payment status	\$ 315,576,971	\$ 311,315,406
Other participants' vested benefits	<u>222,728,491</u>	<u>214,653,404</u>
Total vested benefits	538,305,462	525,968,810
Nonvested benefits	<u>14,238,577</u>	<u>17,483,917</u>
Total year end actuarial present value	\$ <u>552,544,039</u>	\$ <u>543,452,727</u>

STATEMENTS OF CHANGE IN ACCUMULATED PLAN BENEFITS

(for years ended December 31, 2008 and 2007)

	<u>2008</u>	<u>2007</u>
Actuarial present value of accumulated plan benefits at beginning of plan year	\$ <u>543,452,727</u>	\$ <u>532,641,566</u>
Increase during year due to:		
Plan amendments*	-	1,383,243
Decrease due to assumption change**	(913,685)	-
Benefits accumulated	4,715,863	4,977,559
Increase for interest	38,143,123	37,421,316
Benefits paid	<u>(32,853,989)</u>	<u>(32,970,957)</u>
Net increase	<u>9,091,312</u>	<u>10,811,161</u>
Actuarial present value of accumulated plan benefits at end of plan year	\$ <u>552,544,039</u>	\$ <u>543,452,727</u>

\* In 2007, a combination of higher average contribution rates with higher than expected average hours worked.

\*\* Based on the last five years of turnover experience, the turnover table was updated to Table T-7 Actuary's Pension Handbook (Crocker-Sarason-Straight) to better reflect the Plan's actual turnover experience.

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

**NOTE 7 – COMMITMENTS**

Effective May 2008, the Fund has committed a total of \$12,000,000 to the Invesco Real Estate Fund II, \$10,000,000 to the JP Morgan Infrastructure Investment Fund, and \$10,000,000 to the IFM Infrastructure Fund. As of December 31, 2009, \$4,650,400 of the \$12,000,000 commitment to Invesco has been invested, \$5,000,000 of the \$10,000,000 commitment to IFM has been invested, and no amounts have been invested with JP Morgan.

**NOTE 8 – 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 October 3, 2008, the FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor until December 31, 2013. 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, 2013. The rules are a general description and may be applied differently to specific Trust Funds and specific situations.

**NOTE 9 – RISKS AND UNCERTAINTIES**

The Plan 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.