

Western States Office & Professional Employees Pension Plan

Actuarial Valuation

As of January 1, 2013

September 2013



RAEL & LETSON
CONSULTANTS AND ACTUARIES

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

September 18, 2013

Board of Trustees
Western States Office & Professional Employees Pension Plan

Dear Trustees:

We are pleased to present the results of our actuarial valuation of the Pension Plan as of January 1, 2013. Included in this report is an analysis of the actuarial experience for the 2012 Plan Year.

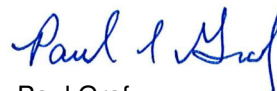
Here is a summary of the valuation results:

- The actuarial balance sheet which states the financial position of the Trust as of January 1, 2013. The Plan's Unfunded Accrued Actuarial Liability is \$197.2 million.
- Net investment income was -\$7.2 million for an annual rate of return of -1.99% (based on the actuarial value of assets). The market value rate of return was 11.53%. Both returns are net of all expenses.
- The Plan experienced an actuarial loss of \$33.0 million during 2012. The Plan's 2012 net actuarial loss due to recognized investment return being less than the assumed return of 7.25% resulted in a loss of \$33.5 million. On the liability side, a gain of \$0.4 million was realized during the 2012 Plan Year.
- Based on the PPA and the Plan interest assumption of 7.25%, the funded ratio for the 2013 Plan Year provided in notices to be distributed during 2013 is 63.4%.
- As of December 31, 2012 the credit balance in the Funding Standard Account was \$58.0 million, an increase of \$4.7 million from the prior year. This change includes the 5-year automatic extension for the charge bases in the Funding Standard Account that was granted for 2009.

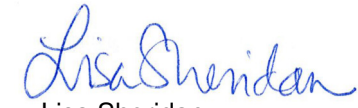
- As of January 1, 2013, the Plan was certified under the PPA as being in critical status. As required, the Trustees adopted a Rehabilitation Plan. The Rehabilitation Plan was effective October 16, 2009 and updated annually. We will continue to monitor the Plan's status and update the Plan's scheduled progress of the adopted Rehabilitation Plan near the end of the Plan Year based on investment results from 2013.
- The projected Employer contributions exceed the estimated cost of benefits to be earned during 2013 by \$8.8 million. However, this excess is not sufficient to offset the annual interest accrual of \$14.3 million on the Unfunded Accrued Actuarial Liability.
- Contributions for 2013 are projected to be fully deductible as they will fall within the maximum limits set by the IRS.
- As of December 31, 2012, there is an unfunded vested liability for withdrawal liability purposes of \$203.3 million. Pursuant to the IRC, the determination of the unfunded vested liability disregards certain benefit reductions implemented as part of the Rehabilitation Plan.

We will review the contents of this report at the September Board of Trustees meeting.

Sincerely,



Paul Graf



Lisa Sheridan

cc: Vicki Peterson
Joe Reinhart, Esq.
Alex Miller

Western States Office & Professional Employees Pension Plan

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VALUATION HIGHLIGHTS

The Western States Office and Professional Employees Pension Plan became effective in 1959 as a result of collective bargaining between Locals 29 and 11 of OPEIU and Pacific Intermountain Express. Trust assets are invested at the direction of various investment managers.

PLAN HISTORY

There were 126 new participants and 8 rehires during the 2012 Plan Year.

Total employer contributions increased by approximately \$1.2 million in 2012.

VALUATION HIGHLIGHTS

	January 1, 2012	January 1, 2013	Change
Number of Participants: ¹			
Actives	1,887	1,806	(81)
Vested Inactives	2,577	2,555	(22)
Retirees and Beneficiaries ²	<u>3,460</u>	<u>3,506</u>	<u>46</u>
Total Participants	7,924	7,867	(57)
Employer Contributions	\$ 8,630,961	\$ 9,797,048	\$ 1,166,087
Market Value of Assets	\$ 343,278,474	\$ 353,805,803	\$ 10,527,329
Actuarial Value of Assets	\$ 375,837,641	\$ 341,155,304	\$ (34,682,337)
Actuarial Accrued Liability	\$ 536,525,258	\$ 538,389,644	\$ 1,864,386
Unfunded Accrued Liability	\$ 160,687,617	\$ 197,234,340	\$ 36,546,723
PPA Funding Percentage	70.1%	63.4%	-6.7%
Credit Balance	\$ 53,311,185	\$ 57,990,839	\$ 4,679,654
Unfunded Vested Benefits (Withdrawal Liability)	\$ 212,326,270	\$ 203,345,821	\$ (8,980,449)

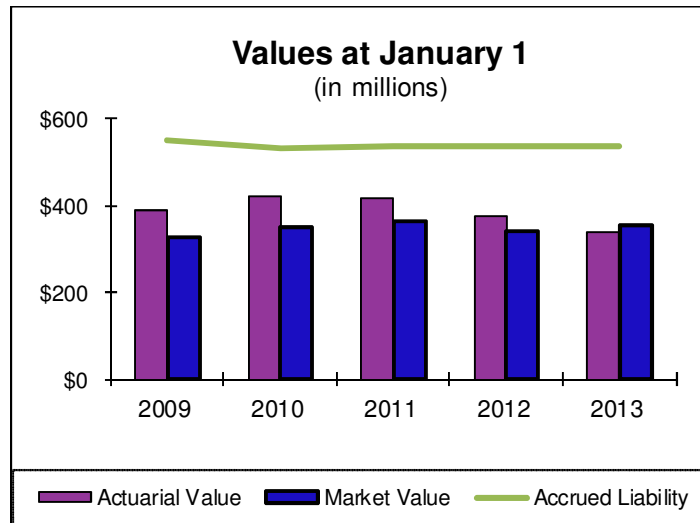
¹ Does not include 407 and 416 non-vested inactive participants in 2012 and 2011, respectively, who have not had a permanent break-in-service.

² Includes disabled retirees.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION I ACTUARIAL BALANCE SHEET



The PPA Funded Ratio is
63.4% as of
January 1, 2013.

Actuarial Value is 96.4% of
Market Value.

ASSETS

A. Cash	\$ 4,270,116
B. Marketable Securities	345,948,907
C. Net Receivables, Payables and Prepaid Expenses	3,586,780
D. Market Value of Assets (A + B + C)	\$ 353,805,803
E. Actuarial Adjustment (Appendix E)	(12,650,499)
F. Total Assets at Actuarial Value (D + E)	\$ 341,155,304

LIABILITIES

Statutory

G. Actives	\$ 79,903,819
H. Vested Inactives	105,030,209
I. Retirees and Beneficiaries ¹	353,455,616
J. Actuarial Accrued Liability (G + H + I)	\$ 538,389,644
K. Unfunded Accrued Liability (J - F)	\$ 197,234,340

PPA

L. Actives	\$ 79,903,819
M. Vested Inactives	105,030,209
N. Retirees and Beneficiaries	353,455,616
O. Actuarial Accrued Liability (L + M + N)	\$ 538,389,644
P. PPA Funded Percentage (F / O)	63.4 %

¹ Includes disabled retirees.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION I DISCUSSION OF BALANCE SHEET

The actuarial balance sheet presents the financial status of the Plan as of January 1, 2013 and provides us with the means of measuring the actuarial position of the Trust.

ASSETS

The total Market Value of Assets as of January 1, 2013 is \$353,805,803. Information regarding assets was taken from the audit report prepared by Heming Morse.

We have utilized an asset valuation method that recognizes net investment income on Trust assets that is more or less than 7.25% per year over a five-year period. The value of Trust assets based on this method is \$341,155,304, which represents 96.4% of the Market Value of Assets. This method is intended to dampen the volatility associated with year to year changes in the market value of Trust assets, while at the same time systematically recognizing longer term overall investment performance. The derivation of the Actuarial Value of Assets is shown in Appendix E.

Contributions receivable from Employers for hours worked in the 2012 Plan Year but received after December 31, 2012 are included with other receivables and payables.

LIABILITIES

Under the Liabilities section of the balance sheet, we have listed separately the reserves required for pensioners and active and inactive benefits earned by non-retired employees. The \$353,455,616 reserve for pensioners represents the estimated amount required as of the valuation date to pay all benefits to pensioners as the benefits come due in the future. The total reserve requirement of the Trust is the sum of the reserve requirements for pensioners, vested and non-vested actives, and vested inactives, and amounts to \$538,389,644.

The liabilities of the Plan exceed the valuation assets by \$197,234,340. This amount is known as the Unfunded Accrued Liability, which is amortized by the excess of contributions received over the cost of each future year's accumulation of benefits.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION II ACTUARIAL GAIN/(LOSS) ANALYSIS

ACTUARIAL VALUATION

An actuarial valuation is a snapshot of asset and liability measures of the pension fund. It is used to estimate the amount of funds needed to cover the cost of the future payment of retirement, termination and death benefits to participants based on Plan benefits in effect on the valuation date. The valuation is based on the actual service rendered by these participants prior to the valuation date and on a set of actuarial assumptions and methods. These assumptions and methods have been adopted by the Trustees upon the recommendation of the Actuary and are described in Appendix B.

ACTUARIAL EXPERIENCE

In the paragraphs below, we have outlined the experience over the 2012 Plan Year and have shown experience for the past five years.

Net Investment Yield - 7.25% per annum, net of all expenses

The net investment yield of the invested funds during the Plan Year was -1.99%. Appendix E shows the details of the actual investment income calculation.

INCOME	DOLLAR AMOUNT	YIELD
A. Gross Investment Income	\$ (4,681,309)	(1.29)%
B. Operating Expenses	(1,076,090)	(0.30)%
C. Investment Expenses	<u>(1,441,620)</u>	<u>(0.40)%</u>
D. Net Investment Income (A - B - C)	\$ (7,199,019)	(1.99)%
E. Expected Investment Income	<u>26,251,959</u>	<u>7.25 %</u>
F. Investment Gain/(Loss) (D - E)	\$ (33,450,978)	(9.24)%

NET YIELD ON		
YEAR	ACTUARIAL ¹	MARKET ²
2008	(18.4)%	(32.2)%
2009	14.5 %	16.0 %
2010	5.7 %	13.2 %
2011	(2.7)%	1.5 %
2012	(2.0)%	11.5 %

¹ The 5-year average return is -1.19%, and the 10-year average return is 2.24%.

² The 5-year average return is 0.17%, and the 10-year average return is 4.94%.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION II ACTUARIAL GAIN/(LOSS) ANALYSIS (CONTINUED)

Mortality – 1983 GAM F Mortality Table

17-year set-forward for disabled lives (until age 62)

Based on the assumptions used in the valuation we compared the reserves which were expected to be released on account of death to the actual amount released. The reserve released during the year was less than anticipated, resulting in a mortality **loss** of **\$646,955** to the Fund.

YEAR	GAIN/(LOSS)
2008	\$ 2,337,772
2009	3,427,808
2010	443,653
2011	819,175
2012	\$ (646,955)
5-Year Total	\$ 6,381,453

Turnover

Reserves for non-vested participants are discounted for turnover according to Table T-7 of the Actuary's Pension Handbook. During 2012, reserves released on account of non-vested terminations were less than those anticipated, resulting in a **loss** to the Trust of **\$157,632**.

YEAR	GAIN/(LOSS)
2008	\$ 208,536
2009	138,998
2010	182,094
2011	(183,334)
2012	\$ (157,632)
5-Year Total	\$ 188,662

Prior to January 1, 2008, Table T-4 of the Actuary's Pension Handbook was used to estimate turnover experience.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION II ACTUARIAL GAIN/(LOSS) ANALYSIS (CONTINUED)

Retirement¹

Participants are assumed to retire in accordance with an explicit set of retirement rates described in Appendix B. A gain to the Plan results if participants delay their retirement. Any gains are offset by losses from early retirements. During 2012 the actuarial **gain** attributable to the assumptions relating to the rates of retirement was **\$1,757,478**.

YEAR	GAIN/(LOSS)
2008	\$ 1,007,178
2009	(3,026,254)
2010	510,575
2011	650,964
2012	\$ 1,757,478
5-Year Total	\$ 899,941

Disability

Participants are assumed to become disabled in accordance with an explicit set of disablement rates. During 2012 the actuarial **loss** attributable to the assumption relating to the rates of disability was **\$127,345**.

YEAR	GAIN/(LOSS)
2008	N/A
2009	N/A
2010	(131,473)
2011	(4,920)
2012	\$ (127,345)
5-Year Total	\$ (263,738)

¹ Prior to 2010, Disability Cost experience analysis was included with the Retirement Age experience analysis.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION II ACTUARIAL GAIN/(LOSS) ANALYSIS (CONTINUED)

Miscellaneous¹

Each year, there are miscellaneous corrections due to age adjustments, corrections in benefit payments and programming changes. The miscellaneous **loss** for the year ended December 31, 2012 was **\$407,394**.

YEAR	GAIN/(LOSS)
2008	\$ 193,667
2009	(589,859)
2010	(338,597)
2011	(372,466)
2012	\$ (407,394)
5-Year Total	\$ (1,514,649)

SUMMARY OF GAINS OR LOSSES

Following is a summary of the gains and losses from the various sources:

SUMMARY OF 2012 GAINS AND LOSSES	
SOURCE	GAIN/(LOSS)
Investment Income	\$ (33,450,978)
Mortality	(646,955)
Turnover	(157,632)
Retirement	1,757,478
Disability Retirement	(127,345)
Miscellaneous	(407,394)
Total Gain/(Loss)	\$ (33,032,826)

Fluctuations in experience for all assumptions are to be expected from year to year. It is the net result over a period of time that must be viewed to determine the validity of the assumptions used.

¹ Prior to 2010, Cost of Benefit experience analysis was listed out separately.

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SECTION III CHANGES SINCE LAST VALUATION

FIVE-YEAR SUMMARY OF GAINS AND LOSSES			
YEAR	ASSETS	LIABILITIES	TOTAL
2008	\$ (126,852,502)	\$ 3,747,153	\$ (123,105,349)
2009	27,395,188	(49,307)	27,345,881
2010	(6,266,318)	666,252	(5,600,066)
2011	(40,088,460)	909,419	(39,179,041)
2012	\$ (33,450,978)	\$ 418,152	\$ (33,032,826)
5-Year Total	\$ (179,263,070)	\$ 5,691,669	\$ (173,571,401)

Changes in Plan Provisions, Valuation Methodology and Assumptions

There have been no changes in plan provisions, valuation methodology and assumptions since the prior valuation.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION IV PROJECTION OF EMPLOYER CONTRIBUTIONS AND COSTS

Projection of Employer Contributions

Following is a summary of the expected application of Employer contributions during 2013. This projection is based on expected contribution experience, which considers expected base, surcharge and supplemental contributions. Average hours worked in the past year for each active participant as of January 1, 2013 were also assumed:

A. Employer Contributions	\$ 10,827,000
B. Estimated Cost of Benefits	<u>1,989,000</u>
C. Available for Funding (A - B)	<u>\$ 8,838,000</u>

The interest on the current Unfunded Accrued Actuarial Liability at 7.25% amounts to \$14.3 million, so the amount available is insufficient to amortize the Unfunded Accrued Actuarial Liability. However, based on the terms of Rehabilitation Plan, the Plan's funded percentage is expected to improve and a favorable credit balance is expected to be achieved by the end of the Rehabilitation Period. We will continue to monitor the Plan's status and provide updates on scheduled progress.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION V WITHDRAWAL LIABILITY

WITHDRAWAL LIABILITY

Withdrawal liability assessments, if any, are based on the amount of “Unfunded Vested Benefits” (UVB) and an employer’s contribution history. Benefits in which a participant is not immediately vested are excluded from the determination of vested benefits; this includes disability and death benefits. Assets are valued at Market Value for this purpose. Note that the Pension Protection Act requires plans that implemented a Rehabilitation Plan to disregard any reduction in Adjustable Benefits when determining the Unfunded Vested Benefits for withdrawal liability. The resulting UVB is as follows:

WITHDRAWAL LIABILITY	
A. Vested Benefit Liabilities Earned to Date	\$ 557,151,624
B. Market Value of Assets	<u>353,805,803</u>
C. UVB as of December 31, 2012 (A - B)	\$ 203,345,821

This means that any Employer who withdraws in the 2013 Plan Year may be subject to a withdrawal liability assessment.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION VI COMMENTS AND CERTIFICATION

This is to certify that we have completed an actuarial valuation of the Plan as of January 1, 2013 in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOP) Nos. 4, 23, 27, 35, 41 and 44. This report has been prepared for the Board of Trustees of the Western States Office & Professional Employees Pension Plan to provide information on the Plan's funded status, to review the recent experience under the Plan and to supply figures needed by the auditor.

This report on the results of the valuation was based on the assumption that the Plan is qualified under the Internal Revenue Code and on information supplied by the auditor with respect to contributions and assets and by the Plan Administrator with respect to participant data. We have not verified, and customarily would not verify such information, but we have no reason to doubt its substantial accuracy.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and, in our opinion, the individual assumptions used: (a) are reasonably related to the experience of the Plan and to reasonable expectations; and (b) represent our best estimate of anticipated experience under the Plan.

The mortality assumption being used to value the Plan liabilities for this report does not formally anticipate any future improvement in mortality or longevity. The recent mortality experience for the Plan has been generating moderate gains vis-à-vis the mortality basis that is assumed. We will continue to review the mortality rates and other assumptions.

We are not aware of any events, subsequent to January 1, 2013, that would have a material effect on the actuarial findings presented in this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (for instance, the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the assignment, we did not perform analysis of the potential range of such future measurements.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION VI COMMENTS AND CERTIFICATION *(CONTINUED)*

In preparation of this report and the actuarial findings contained herein, there has been no conflict of interest between any relevant parties; no findings for which we, the actuaries, do not assume responsibility; and no deviation from ASOP Nos. 4, 23, 27, 35, 41 and 44.

All information pertaining to the findings presented in this report is contained within this report, and should not be relied upon for any other purpose than as stated above.

The Pension Protection Act of 2006 (PPA) became effective for this Plan on January 1, 2008. In accordance with Internal Revenue Code Section 432(b), the Plan, as of the beginning of its 2013 Plan Year was certified as remaining in critical status. In response, the Board of Trustees adopted a Rehabilitation Plan which complies with Internal Revenue Code Section 432(e). We will again update the Plan's status and the adopted Rehabilitation Plan near the beginning of the following plan year based on investment results for 2013.

We have determined that the projected contributions for the 2013 Plan Year will meet the minimum funding requirements of ERISA and will be fully deductible by the Employers.

I, Paul Graf, am an actuary for Rael & Letson. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by: Paul Graf A.S.A., M.A.A.A.
Paul Graf
Enrolled Actuary No. 11-05627

Prepared by: Lisa Sheridan
Lisa Sheridan

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

SECTION VII APPENDICES

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX A PARTICIPANT COUNTS AND STATISTICS

PARTICIPANT STATISTICS				
	January 1, 2012	January 1, 2013	Change	Percent Change
Actives:				
Number	1,887	1,806	(81)	(4.3)%
Averages:				
Age ¹	47.5	48.0	0.5	1.1%
Years of Credited Service	13.2	13.6	0.4	3.0%
Hours	1,862	1,830	(32)	(1.7)%
Vested Inactives:				
Number	2,577	2,555	(22)	(0.9)%
Averages:				
Age	50.7	51.1	0.4	0.8%
Years of Credited Service	9.9	10.0	0.1	1.0%
Monthly Benefit	\$ 612	\$ 619	\$ 7	1.1%
Retirees and Beneficiaries:				
Number:				
Healthy Retirees	3,245	3,277	32	1.0%
Disabled Retirees	46	42	(4)	(8.7)%
Beneficiaries ²	169	187	18	10.7%
Total	3,460	3,506	46	1.3%
Averages:				
Age	70.9	71.2	0.3	0.4%
Monthly Benefit	\$ 891	\$ 885	\$ (6)	(0.7)%

¹ For active participants with known birth dates.

² Includes 16 Alternate Payees.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX A PARTICIPANT COUNTS AND STATISTICS (CONTINUED)

PARTICIPANT RECONCILIATION

	ACTIVES	NON-VESTED INACTIVES	VESTED INACTIVES	RETIREES AND BENEFICIARIES	TOTAL
Total as of January 1, 2012	1,887	416	2,577	3,460	8,340
New Entrants	126	0	0	0	126
Vested Terminations	(81)	0	81	0	0
Non-Vested Terminations	(94)	94	0	0	0
Returned to Work	8	(4)	(4)	0	0
Healthy Retirements	(33)	0	(89)	122	0
Disabled Retirements	(1)	0	0	1	0
Deaths in Year	(5)	0	(11)	(103)	(119)
Benefit Period Expired	0	0	0	0	0
New Beneficiaries	0	0	0	24	24
New Alternate Payees	0	0	0	0	0
Lump Sum	0	0	0	0	0
Permanent Break in Service	0	(100)	0	0	(100)
Data Corrections	(1)	1	1	2	3
Net Change	(81)	(9)	(22)	46	(66)
Total as of January 1, 2013	1,806	407	2,555	3,506	8,274

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX A PARTICIPANT COUNTS AND STATISTICS (CONTINUED)

DISTRIBUTION OF ACTIVE PARTICIPANTS BY AGE AND CREDITED SERVICE (FOR 2013 SCHEDULE MB)

YEARS OF CREDITED SERVICE

AGE GROUP	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 40	40 +	TOTAL
Under 25	0	10	3	0	0	0	0	0	0	0	13
25 - 29	0	67	37	0	0	0	0	0	0	0	104
30 - 34	0	70	63	20	0	4	0	0	0	0	157
35 - 39	0	40	52	33	9	21	0	0	0	0	155
40 - 44	0	48	44	40	24	54	2	0	0	0	212
45 - 49	0	31	43	46	18	80	12	0	0	0	230
50 - 54	0	39	47	51	37	125	17	3	1	0	320
55 - 59	0	33	47	31	28	163	20	11	9	1	343
60 - 65	0	13	30	27	32	73	12	8	4	2	201
65 - 69	0	2	9	11	5	11	5	2	1	2	48
70 and Over	0	0	1	0	0	3	1	0	0	0	5
Unknown	0	15	2	1	0	0	0	0	0	0	18
Total	0	368	378	260	153	534	69	24	15	5	1,806

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX A PARTICIPANT COUNTS AND STATISTICS (CONTINUED)

DISTRIBUTION OF NON-RETIRED PARTICIPANTS BY AGE

AGE GROUP	ACTIVE PARTICIPANTS		INACTIVE PARTICIPANTS	
	NON-VESTED	VESTED	TOTAL ACTIVES	VESTED INACTIVES
Under 25	10	3	13	1
25 - 29	67	37	104	9
30 - 34	70	87	157	61
35 - 39	40	115	155	165
40 - 44	48	164	212	355
45 - 49	31	199	230	457
50 - 54	39	281	320	580
55 - 59	33	310	343	523
60 - 64	13	188	201	293
65 - 69	2	46	48	77
70 and Over	0	5	5	33
Unknown	15	3	18	1
Total	368	1,438	1,806	2,555
Average Age	39.8	50.0	48.0	51.1
Average Accrued Benefit	\$ 70	\$ 771	\$ 628	\$ 619

Western States Office & Professional Employees Pension Plan

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APPENDIX A PARTICIPANT COUNTS AND STATISTICS (CONTINUED)

DISTRIBUTION OF RETIREES AND BENEFICIARIES BY AGE

AGE GROUP	CONTINUING HEALTHY RETIREEES	NEW HEALTHY RETIREEES	CONTINUING DISABLED RETIREEES	NEW DISABLED RETIREEES	CONTINUING BENEFICIARIES	NEW BENEFICIARIES	GRAND TOTAL
Under 50	4	0	5	0	7	4	20
50 - 54	7	0	6	1	3	1	18
55 - 59	138	23	13	0	10	3	187
60 - 64	527	52	17	0	13	3	612
65 - 69	829	47	0	0	18	3	897
70 - 74	614	6	0	0	26	1	647
75 - 79	412	1	0	0	29	4	446
80 - 84	264	0	0	0	31	3	298
85 and Over	353	0	0	0	26	2	381
Unknown	0	0	0	0	0	0	0
Total	<u>3,148</u>	<u>129</u>	<u>41</u>	<u>1</u>	<u>163</u>	<u>24</u>	<u>3,506</u>
Average Age	71.6	63.2	56.7	52.0	73.7	65.8	71.2
Average Monthly Benefit	\$ 927	\$ 583	\$ 738	\$ 1,217	\$ 405	\$ 362	\$ 885

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX B ACTUARIAL METHODS AND ASSUMPTIONS

METHODOLOGY:	
Asset Valuation:	Assets are valued according to a method which recognizes 20% of each year's excess (or deficiency) of actual investment return over the expected return on the Market Value of Assets in the year the excess (or deficiency) occurs. An additional 20% of the excess (or deficiency) is recognized in each of the succeeding four years until it is totally recognized. In no event will the Actuarial Value be less than 80% or more than 120% of the Market Value.
Actuarial Cost Method:	<u>Unit Credit Cost Method</u> - Under this method, we determine the present value of all benefits earned through the valuation date. An individual's normal cost is the present value of the benefit expected to be earned in the valuation year. The total accrued liability is the sum of the individual present values for all participants. The Unfunded Accrued Liability is the difference between the accrued liability and the assets of the Trust. If the assets exceed the accrued liability, the Plan is in a surplus position. This method requires that each year's contributions be applied first to the normal cost, and the balance of the contributions applied to amortize the Unfunded Accrued Liability. (Prior to January 1, 2008: Entry Age Normal with replacement).
Withdrawal Liability Basis:	The present value of accrued vested benefits for withdrawal liability determination uses valuation assumptions. Assets for this purpose are based on the Market Value. Adjustable benefits are recognized using the Simplified Method pursuant to PBGC Technical Update 10-3.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX B ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

ASSUMPTIONS:																					
Discount Interest Rate:	7.25% for funding, FASB ASC 960, and withdrawal liability; 3.78% for current liability.																				
Assumed Rate of Return on Investments:	7.25% compounded annually, net of all investment and operational expenses. (Prior to January 1, 2008: 0.20% for operational expenses).																				
Mortality:	1983 GAMF Mortality Table (the table is set forward 17 years for disability retirees until age 62). (Prior to January 1, 1990: UP 1984 setback 6 years). Current Liability: RP-2000 Mortality Tables (static, separate for annuitants and non-annuitants), projected forward to the valuation year plus seven years for annuitants and 15 years for non-annuitants, as prescribed by IRS regulations.																				
Mortality Improvement:	The current mortality assumption is appropriate for anticipated future mortality experience. No mortality improvement is assumed (ASOP 35).																				
Turnover:	Table T-7, <i>The Actuary's Pension Handbook</i> . Non-Vested Participants have been assumed to earn one year of vesting credit annually until vested. (Prior to January 1, 2008: Table T-4).																				
Retirement Rates:	<table border="1"> <thead> <tr> <th><u>Age</u></th> <th><u>Rate</u></th> <th><u>Age</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>55</td> <td>20%</td> <td>61</td> <td>20%</td> </tr> <tr> <td>56</td> <td>15%</td> <td>62</td> <td>40%</td> </tr> <tr> <td>57-59</td> <td>12%</td> <td>63-70</td> <td>35%</td> </tr> <tr> <td>60</td> <td>15%</td> <td>71+</td> <td>100%</td> </tr> </tbody> </table> <p>Inactive Vested participants are assumed to retire at age 62.</p>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	55	20%	61	20%	56	15%	62	40%	57-59	12%	63-70	35%	60	15%	71+	100%
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>																		
55	20%	61	20%																		
56	15%	62	40%																		
57-59	12%	63-70	35%																		
60	15%	71+	100%																		
Disablement:	1952 Society of Actuaries Table, Period 2, Benefit 5. (Prior to January 1, 1990: Part of non-retiree load).																				

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX B ACTUARIAL METHODS AND ASSUMPTIONS *(CONTINUED)*

Form of Benefit:	All participants are assumed to elect a Straight Life Annuity.
Marital Status:	80% of participants are assumed to be married. Spouses are assumed to be the same age as participants in the population (Prior to January 1, 1991: None assumed).
Future Employment:	Based on hours worked during the 2012 Plan Year. (Prior to January 1, 2008: 1,750 hours).
Missing Data:	If not specified, participants are assumed to be female and the same age as the average of participants with the same status code.

CHANGES SINCE PRIOR VALUATION:	The RPA '94 current liability interest rate was changed from 4.29% to 3.78% to be within the allowable range. The current liability mortality table was also updated, in accordance with IRS Regulations 1.431(c)(6)-1 and 1.430(h)(3)-1.
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Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX C SUMMARY OF PRINCIPAL PLAN PROVISIONS

REQUIREMENTS	
Normal Retirement:	Age 65 and vested.
Early Retirement:	Age 55 and vested.
Disability Retirement:	Vested with at least 200 hours in year prior to onset of Total and Permanent Disability.
Vesting Requirement:	5 years (including at least 2 years future service).
Pre-Retirement Death:	Vested.

BENEFITS	
Normal Retirement:	<p>Service after 2009: 0.75% of Employer Contributions.</p> <p>2003 - 2009: 1.8% of Employer Contributions.</p> <p>2003 Service: 2.2% of Employer Contributions; up to \$6,240; 1.8% of excess.</p> <p>2001 - 2002 Service: 3.2% of Employer Contributions; up to \$6,240 each year; 1.8% of excess.</p> <p>1997 - 2000 Service: 3.65% of Employer Contributions; up to \$6,240 each year, 1.8% of excess.</p> <p>Prior to 1997: 3.65% of Employer Contributions.</p> <p>Past Service: \$8.20 per year of past service (maximum 15 years).</p>
Early Retirement:	Normal Retirement benefit actuarially reduced from age 62 for benefits earned before January 1, 2010 and from age 65 for benefits earned on or after January 1, 2010.
Delayed Retirement:	Normal Retirement benefit increased 6% per year (½% per month) past age 62 for benefits earned before January 1, 2010 and past age 65 for benefits earned on or after January 1, 2010.
Disability Retirement:	50% of Normal Retirement Benefit and payable until age 55.
Pre-Retirement Death:	
Married	50% Joint Marital Annuity (reduced for Early Retirement and for joint lives), or
All Others	Lump sum payment of \$500 per year of service (maximum of \$5,000 total).
Changes Since Prior Valuation:	None

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX D 15 YEAR HISTORY OF CONTRIBUTIONS AND BENEFIT PAYMENTS

HISTORICAL CONTRIBUTIONS AND BENEFIT PAYMENTS		
Plan Year	Contributions	Benefit Payments
1998	8,936,246	15,248,117
1999	9,249,078	17,053,008
2000	9,366,427	18,819,097
2001	9,660,131	20,927,583
2002	9,277,458	20,835,583
2003	7,854,003	24,206,237
2004	6,935,726	26,487,895
2005	7,357,903	28,371,211
2006	7,399,605	29,919,215
2007	7,678,247	32,970,957
2008	8,277,807	32,853,989
2009	8,004,785	34,155,460
2010	8,489,009	37,136,630
2011	8,630,961	37,224,104
2012	9,797,048	37,280,366

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX E PLAN ASSETS

SUMMARY OF MARKET VALUE OF ASSETS

Assets as of December 31, 2012	Market Value	Percent of Total
Common collective funds	\$ 135,711,860	38.3%
103-12 investment entities	41,581,364	11.8%
Due from broker	446,414	0.1%
Hedge fund	16,043,110	4.5%
Insurance contract	57,523,587	16.3%
Real estate funds	20,454,987	5.8%
Limited partnership	16,638,099	4.7%
Limited liability company	24,484,533	6.9%
Cash overlay	22,160,310	6.3%
Infrastructure	10,904,643	3.1%
Cash	7,856,896	2.2%
Total assets	\$ 353,805,803	100.0%

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2012

APPENDIX E PLAN ASSETS (CONTINUED)

SUMMARY OF RECEIPTS AND DISBURSEMENTS

	Market Value Last Year	Market Value Current Year	Actuarial Value Last Year	Actuarial Value Current Year
Assets (beginning of year)	\$ 366,575,098	\$ 343,278,474	\$ 415,436,594	\$ 375,837,641
Receipts During Year				
Contributions	\$ 8,630,961	\$ 9,797,048	\$ 8,630,961	\$ 9,797,048
Investment Income (Net of Investment and Operating Expenses)	5,296,519	38,010,647	(11,005,809)	(7,199,019)
Subtotal Receipts	\$ 13,927,480	\$ 47,807,695	\$ (2,374,848)	\$ 2,598,029
Disbursements During Year				
Benefit Payments	\$ (37,224,104)	\$ (37,280,366)	\$ (37,224,104)	\$ (37,280,366)
Operating Expenses	-	-	-	-
Subtotal Disbursements	\$ (37,224,104)	\$ (37,280,366)	\$ (37,224,104)	\$ (37,280,366)
Assets (end of Year)	\$ 343,278,474	\$ 353,805,803	\$ 375,837,641	\$ 341,155,304
Net Yield on Value of Assets	1.50 %	11.53 %	(2.74)%	(1.99)%

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX E PLAN ASSETS (CONTINUED)

DETERMINATION OF NET INVESTMENT EARNINGS ON MARKET VALUE OF ASSETS

1.	Expected Net Investment Income		
	A. Market Value of Assets	\$	343,278,474
	B. Contributions		9,797,048
	C. Benefit Payments		<u>(37,280,366)</u>
	D. Expected Net Investment Income	\$	23,891,419
2.	Market Value Earnings		
	A. Interest, Dividends, and Other	\$	1,724,817
	B. Realized and Unrealized Gains/(Losses)		38,677,355
	C. Investment Expenses		(1,441,620)
	D. Operational Expenses		(1,076,090)
	E. Other Income		<u>126,185</u>
	F. Total Market Value Earnings (A + B + C + D + E)	\$	38,010,647
3.	Excess/(Deficit) of Market Value Earnings Over Expected Investment Earnings (2F - 1D)		14,119,228
4.	20% of Current and Prior Year Excess/(Deficit)		(31,090,438)
5.	Net Investment Earnings (1D+ 4)		(7,199,019)
6.	Recognition of Assets in Excess of the Corridor		<u>0</u>
7.	Total Net Investment Earnings (5 + 6)	\$	(7,199,019)

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX E PLAN ASSETS (CONTINUED)

DETERMINATION OF ACTUARIAL VALUE OF ASSETS					
PLAN YEAR ENDED December 31	EXCESS INCOME	PRIOR YEARS	CURRENT YEAR	FUTURE YEARS	
2012	\$ 14,119,228	\$ 0	\$ 2,823,846	\$ 11,295,382	
2011	(20,243,674)	(4,048,735)	(4,048,735)	(12,146,204)	
2010	20,103,687	8,041,474	4,020,737	8,041,476	
2009	27,299,221	16,379,532	5,459,844	5,459,845	
2008	(196,730,650)	(157,384,520)	(39,346,130)	0	
Total	\$ (155,452,188)	\$ (137,012,249)	\$ (31,090,438)	\$ 12,650,499	

A. Market Value of Assets January 1, 2013	\$ 353,805,803
B. Amount of Excess Income/(Deficit) to be Recognized in Future Years	<u>12,650,499</u>
C. Preliminary Actuarial Value of Assets as of January 1, 2013 (A - B)	\$ 341,155,304
D. Recognition of Assets in Excess of the 20% Corridor	<u>0</u>
E. Actuarial Value of Assets as of January 1, 2013 (C + D)	\$ 341,155,304

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX F FUNDING STANDARD ACCOUNT (FOR SCHEDULE MB)

FUNDING STANDARD ACCOUNT	2012	2013 (Estimated)
1. Credit Balance on January 1	\$ 53,311,185	\$ 57,990,839
2. Charges		
A. Normal Cost	\$ 1,879,940	\$ 1,922,000
B. Amortization Charges ¹	33,317,885	36,753,134
C. Interest on 2A and 2B	<u>2,551,842</u>	<u>2,803,947</u>
D. Subtotal Charges (A + B + C)	\$ 37,749,667	\$ 41,479,081
3. Credits		
A. Employer Contributions for Year	\$ 9,797,048	\$ 10,827,000
B. Amortization Credits	26,491,440	26,491,440
C. Interest on 1, 3A, and 3B	<u>6,140,833</u>	<u>6,517,444</u>
D. Subtotal Credits (3A + 3B + 3C)	\$ 42,429,321	\$ 43,835,884
4. Credit Balance on December 31 (1 - 2D + 3D)	\$ 57,990,839	\$ 60,347,642

¹ Incorporates 5-year extension of the charge bases

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX F FUNDING STANDARD ACCOUNT (FOR SCHEDULE MB) (CONTINUED)

FUNDING STANDARD ACCOUNT AMORTIZATION BASES (As of January 1, 2013)

Charges	Amortization Period			Balances		Beginning-of-Year Payment
	Date Established	Initial Period	Remaining Period	Initial	Remaining	
Initial Liability	1/1/1976	45.00	8.00	\$ 13,447,933	\$ 4,124,837	\$ 650,335
Actuarial Assumption	1/1/1978	43.00	8.00	1,960,033	610,488	96,252
Actuarial Assumption	1/1/1980	35.00	2.00	408,110	11,904	6,161
Plan Amendment	1/1/1980	45.00	12.00	395,897	190,145	22,619
Plan Amendment	1/1/1981	45.00	13.00	3,609,259	1,869,768	211,562
Plan Amendment	1/1/1983	35.00	5.00	7,215,979	1,264,738	289,534
Plan Amendment	1/1/1984	35.00	6.00	3,740,561	855,303	168,603
Plan Amendment	1/1/1985	35.00	7.00	3,177,239	893,889	156,003
Plan Amendment	1/1/1986	35.00	8.00	3,832,226	1,274,449	200,933
Plan Amendment	1/1/1987	35.00	9.00	4,466,400	1,705,557	246,686
Plan Amendment	1/1/1988	35.00	10.00	7,521,437	3,226,717	433,319
Plan Amendment	1/1/1989	35.00	11.00	6,238,198	2,955,984	372,143
Plan Amendment	1/1/1990	35.00	12.00	1,991,358	1,027,809	122,268
Plan Amendment+Act Assump	1/1/1991	35.00	13.00	3,867,632	2,150,672	243,346
Plan Amendment	1/1/1992	35.00	14.00	2,315,769	1,374,890	148,790
Plan Amendment	1/1/1993	35.00	15.00	8,009,694	5,039,082	524,040
Plan Amendment+Act Assump	1/1/1994	35.00	16.00	5,816,782	3,853,048	386,626
Plan Amendment	1/1/1995	35.00	17.00	3,954,934	2,743,301	266,543
Actuarial Assumption	1/1/1996	35.00	18.00	2,334,000	1,687,333	159,236
Plan Amendment	1/1/1996	35.00	18.00	19,722,004	14,257,711	1,345,523
Plan Amendment	1/1/1997	35.00	19.00	12,051,000	9,042,926	831,144
Plan Amendment	1/1/1998	35.00	20.00	12,834,000	9,960,471	893,747
Actuarial Assumption	1/1/1998	35.00	20.00	5,651,596	4,386,203	393,572
Actuarial Assumption	1/1/1999	35.00	21.00	500,000	400,089	35,122
Plan Amendment	1/1/1999	35.00	21.00	21,615,699	17,296,196	1,518,376

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX F FUNDING STANDARD ACCOUNT (FOR SCHEDULE MB) (CONTINUED)

FUNDING STANDARD ACCOUNT AMORTIZATION BASES (As of January 1, 2013) (CONTINUED)

Charges	Amortization Period			Balances		Beginning-of-Year Payment
	Date Established	Initial Period	Remaining Period	Initial	Remaining	
Plan Amendment	1/1/2000	35.00	22.00	7,937,933	6,530,441	561,942
Actuarial Assumption	1/1/2000	35.00	22.00	4,389,753	3,611,393	310,759
Actuarial Cost Method	1/1/2000	15.00	2.00	32,512,879	1,663,200	860,690
Plan Amendment	1/1/2001	35.00	23.00	12,746,807	10,755,131	908,708
Plan Amendment	1/1/2002	35.00	24.00	2,268,072	1,958,357	162,714
Plan Amendment	1/1/2003	35.00	25.00	2,964,980	2,614,677	213,933
Experience Loss	1/1/2003	20.00	10.00	12,151,612	7,040,854	945,524
Experience Loss	1/1/2004	20.00	11.00	23,109,456	14,782,872	1,861,090
Experience Loss	1/1/2005	20.00	12.00	12,406,469	8,644,460	1,028,346
Plan Amendment	1/1/2005	35.00	27.00	1,000,895	915,945	72,938
Actuarial Assumption	1/1/2005	35.00	27.00	1,063,519	973,250	77,502
Experience Loss	1/1/2006	20.00	13.00	6,485,444	4,868,504	550,865
Plan Amendment	1/1/2006	35.00	28.00	1,459,383	1,357,428	106,809
Plan Amendment	1/1/2007	35.00	29.00	1,475,698	1,393,293	108,429
Plan Amendment	1/1/2008	20.00	15.00	1,383,243	1,174,791	122,173
Experience Loss	1/1/2009	20.00	16.00	123,105,349	110,084,239	11,046,176
Experience Loss	1/1/2011	15.00	13.00	5,600,066	5,147,025	582,379
Experience Loss	1/1/2012	15.00	14.00	39,179,040	37,649,699	4,074,425
Experience Loss	1/1/2013	15.00	15.00	33,032,826	33,032,826	3,435,249
Total Charges					\$ 346,401,895	\$ 36,753,134

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX F FUNDING STANDARD ACCOUNT (FOR SCHEDULE MB) (CONTINUED)

FUNDING STANDARD ACCOUNT AMORTIZATION BASES (As of January 1, 2013) (CONTINUED)

Credits	Amortization Period			Balances		Beginning-of-Year Payment
	Date Established	Initial Period	Remaining Period	Initial	Remaining	
Combine Credits	1/1/2008	7.00	2.00	\$ (116,404,669)	\$ (39,256,809)	\$ (20,315,043)
Experience Gain	1/1/2010	15.00	12.00	(27,345,881)	(23,905,792)	(2,843,835)
Plan Amendment	1/1/2010	15.00	12.00	(32,045,400)	(28,014,115)	(3,332,562)
Total Credits					\$ (91,176,716)	\$ (26,491,440)

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX G CURRENT LIABILITY (FOR SCHEDULE MB)

CURRENT LIABILITY (FOR 2013 SCHEDULE MB)	
January 1, 2013	
A. Retirees and Beneficiaries	\$ 461,574,693
B. Vested Inactive Participants	190,305,940
C. Active Participants	
1. Non Vested	\$ 1,067,456
2. Vested	<u>132,906,944</u>
3. Sub-total (1 + 2)	<u>133,974,400</u>
D. Total Current Liability (A + B + C3)	\$ 785,855,033
E. Market Value of Assets	\$ 353,805,803
F. Funded Ratio Using Market Value of Assets (E / D)	45.02 %
G. Expected Increase in Current Liability ¹	\$ 3,498,485
H. Expected Release from Current Liability ¹	\$ 39,356,354
I. Expected Disbursements	\$ 39,356,354
J. Current Liability Interest Rate	3.78 %

¹ Actual disbursements during the Plan Year will be used in the 2013 Schedule MB.

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX H MAXIMUM TAX DEDUCTION (FOR SCHEDULE MB)

MAXIMUM DEDUCTIBLE CONTRIBUTION

A. Normal cost	\$ 1,922,000
B. 10-Year Amortization of UAL	26,486,833
C. Interest to end of plan year	2,059,640
D. Preliminary Max (A + B + C)	30,468,473
E. Full funding limitation	
1. ERISA	\$ 213,595,174
2. RPA full funding limit override	376,075,308
3. Greater of E1 or E2	376,075,308
F. Regular Maximum Deductible Contribution (lesser of D and E3)	\$ 30,468,473
G. Minimum Required Contribution, end of year	\$ 0
H. 140% of current liability basis	
1. Current Liability, projected to end of year	\$ 779,090,389
2. Actuarial Value of Assets projected to end of year	325,106,042
3. Excess of 140% of Current Liability over Actuarial Value of Assets at end of year (140% x H1 - H2)	765,620,503
I. Maximum Deductible Contribution (greater of F, G and H3)	\$ 765,620,503

Western States Office & Professional Employees Pension Plan

Actuarial Valuation as of January 1, 2013

APPENDIX I AUDITOR INFORMATION (FASB ASC 960)

RECONCILIATION OF ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year (January 1, 2012)		\$ 536,525,258
Increase (Decrease) during the Year Attributable to:		
Benefits Accumulated and Actuarial Experience	\$ 1,598,084	
Plan Amendment	0	
Actuarial Assumption Changes	0	
Increase for Interest	37,546,668	
Benefits Paid	<u>(37,280,366)</u>	
Net Increase (Decrease)		\$ <u>1,864,386</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year (December 31, 2012)		\$ 538,389,644

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

	2011	2012
Actuarial Present Value of Accrued Benefits		
Vested Benefits		
Participants Currently Receiving Benefits	\$ 355,947,899	\$ 353,455,616
Other Participants	<u>178,026,753</u>	<u>182,380,026</u>
Total Vested Benefits	533,974,651	535,835,642
Non Vested Benefits	<u>2,550,607</u>	<u>2,554,002</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year (December 31)	\$ 536,525,258	\$ 538,389,644