WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND

FINANCIAL STATEMENTS

December 31, 2013 and 2012

WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND
FINANCIAL STATEMENTS
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HEMMING
MORSE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
AND FORENSIC CONSULTANTS

101 Montgomery Street
Suite 1400
San Francisco, CA 94104

Tel: 415.836.4000
Fax: 415.777.2062
www.hemming.com

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, 2013 and 2012, and the related statements of changes in net assets available for benefits for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Trust's net assets available for benefits as of December 31, 2013, and changes therein for the year then ended and its financial status as of December 31, 2012, and changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Francisco, CA
September 30, 2014

Hemming Morse

EXHIBIT A

WESTERN STATES OFFICE & PROFESSIONAL EMPLOYEES PENSION FUND
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2013 and 2012

ASSETS

	2013	2012
Investments (Notes 2C and 5)	$ 358,992,980	$ 345,948,907
Receivables:		
Employer contributions (Notes 2B and 3A)	791,501	723,692
Cash Accounts:		
Transit savings	8,441,043	4,009,328
Commercial accounts	238,562	260,788
	8,679,605	4,270,116
Other:		
Prepaid expenses	3,175,043	3,105,905
Prepaid insurance	819	96,984
	3,175,862	3,202,889
Total assets	371,639,948	354,145,604

LIABILITIES

	2013	2012
Liabilities:		
Accounts payable	237,483	285,983
Unprocessed contributions	68,592	53,818
Total liabilities	306,075	339,801
Net Assets Available for Benefits	$ 371,333,873	$ 353,805,803

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, 2013 and 2012

	2013	2012
Additions:		
Employer contributions (Notes 2B and 3A)	6,485,023	6,980,563
Withdrawal liability income (Note 7)	1,674,335	937,412
Supplemental contributions (Note 3B)	2,656,274	1,513,165
Surcharge contributions (Note 3B)	228,709	365,908
Liquidated damages	29,967	52,150
	11,074,308	9,849,198
Investment income:		
Realized and unrealized gain on investments, net (Note 5)	44,753,961	38,677,355
Interest and dividends	1,918,726	1,724,817
	46,672,687	40,402,172
Less: investment expenses	(1,306,358)	(1,243,771)
	45,366,329	39,158,401
Other income	75,682	74,035
Total additions	56,516,319	49,081,634
Deductions:		
Pension benefits (Note 1B)	37,690,222	37,280,366
Administrative fees	408,584	392,717
Professional services:		
Legal	126,608	121,756
Consultant and actuary	188,488	231,515
Investment consulting	200,499	197,849
Auditing:		
Financial	34,314	29,566
Payroll	40,591	43,922
	590,500	624,608

(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, 2013 and 2012

	2013	2012
General expenses:		
Insurance	193,519	162,797
Printing & postage	26,215	16,689
Educational seminars and meetings	70,551	67,642
Miscellaneous	8,658	9,486
	298,943	256,614
Total operating expenses	1,298,027	1,273,939
Total deductions	38,988,249	38,554,305
Increase in net assets available for benefits	17,528,070	10,527,329
Net Assets Available for Benefits:		
Beginning of year	353,805,803	343,278,474
End of year	$ 371,333,873	$ 353,805,803

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.

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 WAMCO US Core Plus, LLC investment uses the following methods and inputs to establish the fair value of its assets and liabilities. Exchange traded options are valued at official closing price of the exchange or market as of the close of business on the day the securities are valued or at the last available bid price. Options traded over the counter are valued using dealer supplied valuations. Futures contracts are valued at the last settlement price at the end of each day.

The INTECH US Managed Volatility Fund, LLC 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 TR C 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.

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

C. Valuation of Investments: – (Continued)

The American Core Realty Fund investment is valued based upon quarterly independent appraisals.

The EB DV Global Alpha I Fund of the Bank of New York Mellon 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.

The Invesco Real Estate II Fund investment is 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 investment is valued based upon independent valuations prepared to estimate the fair market value of investments on a quarterly basis.

The Grosvenor Institutional Partners L.P. 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 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 obtained via futures. These instruments are marked-to-market daily based on the daily settlement prices produced by the exchange.

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. Informational tax returns, for tax years for which the applicable statutes of limitations have not expired, are subject to examination by authorities.

NOTE 3 – FUNDING POLICY

A. Contributions:

During the years ended December 31, 2013 and 2012, the Trust received contributions from employers in various contracted payment types and amounts. The principal types of contributions were received as follows:

	Hourly
January 1, 2011 - December 31, 2012	$0.05 - 9.25
January 1, 2012 - December 31, 2013	$0.05 - 9.32

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, 2013. 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, 2014, 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.

NOTE 5 - INVESTMENTS

A. General:

The following information included in the Trust's financial statements as of December 31, 2013 and 2012, 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.

	2013	2012
	Fair Value	Fair Value
Common collective funds	$ 186,086,168	$ 135,711,860
103-12 investment entities	57,966,651	41,581,364
Other:		
Due from broker	479,598	446,414
Hedge fund	16,065,263	16,043,110
Insurance contract	-	57,523,587
Real estate funds	15,728,819	20,454,987
Limited partnership	19,130,068	16,638,099
Limited liability company	25,944,896	24,484,533
Cash overlay	26,524,826	22,160,310
Infrastructure investment fund	11,066,691	10,904,643
	$ 358,992,980	$ 345,948,907

NOTE 5 - INVESTMENTS – (Continued)

A. General: – (Continued)

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

		Fair Market Value
BlackRock MSCI ACWI Ex-U.S. Fund	$	45,314,256
BlackRock Index Non-Lendable Fund		47,204,848
Western Asset U.S. Core Plus, LLC		20,139,056
INTECH US Managed Volatility Fund, LLC		25,082,279
Loomis Core Plus Full Discretion Trust		21,397,227
American Core Realty Fund, LLC		25,944,896
EB DV Global Alpha I Fund of the Bank of New York Mellon		29,403,945
Grosvenor Institutional Partners		19,130,068
Invesco Balanced-Risk Allocation Trust		42,765,892
Clifton Group Synthetic Russell 2000		19,816,957

During the years ended December 31, 2013 and 2012, the Trust's investments (including investments bought, sold as well as held during the year) appreciated/(depreciated) in value as follows:

		2013		2012
Common collective funds	$	21,623,892	$	16,269,837
103-12 investment entities		454,079		2,894,102
Other:				
Hedge fund		(26,395)		525,243
Insurance contract		9,757,435		8,306,176
Real estate funds		1,794,667		2,439,501
Limited partnership		2,697,966		1,561,030
Limited liability corporation		1,674,399		1,459,351
Cash overlay		5,873,059		3,926,055
Infrastructure investment fund		904,859		1,296,060
	$	44,753,961	$	38,677,355

NOTE 5 – INVESTMENTS - (Continued)

B. Fair Value Measurements:

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

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

NOTE 5 – INVESTMENTS - (Continued)

B. Fair Value Measurements: – (Continued)

The following is a summary of the inputs used as of December 31, 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

NOTE 5 – INVESTMENTS – (Continued)

B. Fair Value Measurement: – (Continued)

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

	Pending Trades	GAM Institutional Trading, LP	Invesco Real Estate II Fund	IFM Global Infrastructure Fund	Subtotal
Beginning balance	$ 446,414	$ 16,043,110	$ 10,672,435	$ 9,782,552	$ 36,944,511
Realized and unrealized gains/(losses)	-	(26,395)	1,428,279	366,388	1,768,272
Purchases	479,598	48,548	200,349	256,635	985,130
(Sales)	(446,414)	-	(6,480,000)	(454,192)	(7,380,606)
(Services fees)	-	-	(42,807)	(820)	(43,627)
Ending balance	$ 479,598	$ 16,065,263	$ 5,778,256	$ 9,950,563	$ 32,273,680

	Grosvenor Institutional Partners	American Core Realty Fund, LLC	JP Morgan IIF - ERISA	Grand Total
Beginning balance	$ 16,638,099	$ 24,484,533	$ 10,904,643	$ 88,971,786
Realized and unrealized gains/(losses)	2,697,966	1,674,399	904,859	7,045,496
Purchases	-	1,286,881	-	2,272,011
(Sales)	-	(1,256,239)	(591,939)	(9,228,784)
(Service fees)	(205,997)	(244,678)	(150,872)	(645,174)
Ending balance	$ 19,130,068	$ 25,944,896	$ 11,066,691	$ 88,415,335

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, 2012, 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).

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

The actuarial present value of accumulated plan benefits, at December 31, 2012 and 2011 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, 2012 and 2011)

	2012	2011
Actuarial present value of accumulated plan benefits:		
Vested benefits in a payment status	$ 353,455,616	$ 355,947,898
Other participants' vested benefits	182,380,026	178,026,753
Total vested benefits	535,835,642	533,974,651
Nonvested benefits	2,554,002	2,550,607
Total year end actuarial present value	$ 538,389,644	$ 536,525,258

STATEMENTS OF CHANGE IN ACCUMULATED PLAN BENEFITS
(for years ended December 31, 2012 and 2011)

	2012	2011
Actuarial present value of accumulated plan benefits at beginning of plan year	$ 536,525,258	$ 535,120,828
Increase/(decrease) during year due to:		
Benefits accumulated	1,598,084	1,181,648
Increase for interest	37,546,668	37,446,886
Benefits paid	(37,280,366)	(37,224,104)
Net increase	1,864,386	1,404,430
Actuarial present value of accumulated plan benefits at end of plan year	$ 538,389,644	$ 536,525,258

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 year end, 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 withdrawn employers may either pay the withdrawal liability in a lump sum or begin making periodic payments according to a payment schedule. Those payments are reflected in withdrawal liability income when the employer pays. The Trust has a collection system in place that addresses the ability of the employer to pay their employer withdrawal liability. The Trust may deem certain employer withdrawal liability as uncollectible. Due to the uncertainty of complete payment and timing of payment, no withdrawal liability contributions have been accrued.

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 7% of the Western States Office & Professional Employees Pension Fund investment portfolio for the year ended December 31, 2013. The futures contracts are used to efficiently gain long exposure to specified capital markets indices in the aggregate amount of the cash in the portfolio. Additionally, short positions in futures contracts may be utilized to reduce exposure to specific capital markets indices as part of the futures-based rebalancing program. The fund also uses derivatives to gain long exposure to the Russell 2000 Index for their small cap equity exposure.

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS – (Continued)

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

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

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

NOTE 9 – 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 – SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through the audit opinion date of the financial statements. No material subsequent events have occurred since December 31, 2013 that required recognition or disclosure in the financial statements.