

**OUTSTATE MICHIGAN TROWEL TRADES  
PENSION FUND**

Lansing, Michigan

**FINANCIAL STATEMENTS**

December 31, 2017

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John M. Grace, CPA  
Bryan D. Stulz, CPA  
George Benda, CPA  
(1941-2007)



## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Outstate Michigan Trowel Trades Pension Fund  
6525 Centurion Drive  
Lansing, MI 48917

Gentlemen:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Outstate Michigan Trowel Trades Pension Fund, which comprise the statement of net assets available for benefits as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 31, 2016 and 2015, the related statement of changes in accumulated plan benefits for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Plan 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 Plan'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 Plan'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 financial statements.

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 Outstate Michigan Trowel Trades Pension Fund's net assets available for benefits as of December 31, 2017 and 2016, and changes therein for the years then ended and its financial status as of December 31, 2016 and 2015, and changes therein for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bender, Gna, Stal & Company, P.C.*

Sterling Heights, Michigan  
June 14, 2018

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

	December 31,	
	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Investments at fair value (Notes B, D and E):		
Common stocks	\$ 17,072,051	\$ 15,594,405
Real estate funds	4,763,168	4,517,581
Common collective trusts	4,804,662	3,963,119
Mutual funds	29,505,936	24,637,716
Hedge fund of funds	6,969,949	6,505,048
Limited partnerships (Note F)	<u>4,843,476</u>	<u>5,349,186</u>
Total investments	<u>67,959,242</u>	<u>60,567,055</u>
Receivables:		
Employer contributions (Note B)	221,806	88,016
Accrued interest and dividends	<u>60,049</u>	<u>66,983</u>
Total receivables	<u>281,855</u>	<u>154,999</u>
Other assets:		
Prepaid expenses	14,622	16,367
Unexpired insurance premiums	5,316	5,885
Cash	<u>812,924</u>	<u>622,118</u>
Total other assets	<u>832,862</u>	<u>644,370</u>
Total assets	<u>69,073,959</u>	<u>61,366,424</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	<u>105,079</u>	<u>93,998</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 68,968,880</u>	<u>\$ 61,272,426</u>

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

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	<u>Years ended December 31,</u>		Increase
	<u>2017</u>	<u>2016</u>	(Decrease)
<b><u>ADDITIONS</u></b>			
Net investment income (loss) (Note G)	\$ 9,006,495	\$ 5,098,121	\$ 3,908,374
Employer contributions	3,507,621	3,301,405	206,216
Liquidated damages collected	<u>3,884</u>	<u>807</u>	<u>3,077</u>
Total additions	<u>12,518,000</u>	<u>8,400,333</u>	<u>4,117,667</u>
<b><u>DEDUCTIONS</u></b>			
Benefit payments	<u>4,587,698</u>	<u>4,307,702</u>	<u>279,996</u>
Administrative expenses:			
Administrative manager's fee	52,764	52,764	-
Premiums paid Pension Benefit			
Guaranty Corporation	38,052	37,989	63
Actuarial fee	24,200	25,400	(1,200)
Member communications	17,865	2,412	15,453
Payroll audit fees	16,802	15,023	1,779
Audit fee	16,800	16,300	500
Trustee and fiduciary liability			
insurance and bonding	16,235	17,430	(1,195)
Lockbox and bank service charges	10,894	11,148	(254)
Legal fees	10,593	23,100	(12,507)
Printing and miscellaneous	9,584	13,915	(4,331)
Legal fees – collection	7,200	15,556	(8,356)
Trustee meeting expense	5,009	2,332	2,677
Educational foundation dues	4,650	4,605	45
Conference and seminar expense	1,800	3,042	(1,242)
Form 5500 preparation fee	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Total administrative expenses	<u>233,848</u>	<u>242,416</u>	<u>(8,568)</u>
Total deductions	<u>4,821,546</u>	<u>4,550,118</u>	<u>271,428</u>
<b><u>NET INCREASE (DECREASE)</u></b>	7,696,454	3,850,215	<u>\$ 3,846,239</u>
<b><u>NET ASSETS AVAILABLE FOR BENEFITS</u></b>			
Beginning of year	<u>61,272,426</u>	<u>57,422,211</u>	
End of year	<u>\$ 68,968,880</u>	<u>\$ 61,272,426</u>	

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

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**STATEMENT OF ACCUMULATED PLAN BENEFITS**

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u></b>		
<b>Vested benefits:</b>		
Participants currently receiving payments	\$ 40,124,125	\$ 40,152,010
Other participants	<u>30,601,680</u>	<u>26,493,365</u>
	70,725,805	66,645,375
<b>Non-vested benefits</b>	<u>1,531,744</u>	<u>4,718,146</u>
<b><u>TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u></b>	<u>\$ 72,257,549</u>	<u>\$ 71,363,521</u>

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

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**  
**STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS**

	Years ended December 31,	
	2016	2015
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR</u></b>	<b><u>\$ 71,363,521</u></b>	<b><u>\$ 71,840,279</u></b>
<b>Increase (decrease) during the period attributable to:</b>		
Plan amendment	(2,009,662)	(2,611,164)
Change in actuarial assumption	236,918	(4,940)
Benefits accumulated and experience gain or loss	1,443,801	838,127
Interest due to decrease in discount period	5,530,673	5,567,622
Benefits paid	(4,307,702)	(4,266,403)
Net increase (decrease)	894,028	(476,758)
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR</u></b>	<b><u>\$ 72,257,549</u></b>	<b><u>\$ 71,363,521</u></b>

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



## OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

### NOTES TO FINANCIAL STATEMENTS

**Note A: Description of the Plan**

The following brief description of the Outstate Michigan Trowel Trades Pension Fund, as in effect on December 31, 2017, is provided for general purposes only. For more complete information refer to the amended and restated plan document.

1. General – The Pension Fund was established effective January 1, 1972 as a result of collective bargaining. The Plan is a defined benefit pension plan covering all employees working under collective bargaining agreements which require contributions to the Fund. It is a multi-employer fund subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.
2. Retirement Benefits – Information about the plan, the vesting, and the benefit provisions is contained in the Summary Plan Description. Copies are available at the offices of each participating Local Union or the Fund office.

**Note B: Summary of Significant Accounting Policies**

1. General – The accounting records of the plan are maintained on the accrual basis of accounting. Contributions received subsequent to December 31, 2017, attributed to hours worked prior to January 1, 2018, have been reflected as contributions due from employers as of December 31, 2017 in accordance with the consistent policy of the Fund.
2. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.
3. Investment Valuation and Income Recognition – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note B: Summary of Significant Accounting Policies (Continued)**

4. Actuarial Present Value of Accumulated Plan Benefits – Accumulated Plan benefits are those future periodic payments, including lump-sum distributions, that are attributable, under the Plan 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. Benefits under the plan are based on participants' service credit. The accumulated plan benefits for active participants are based on their service credit on the date as of which the benefit information is presented December 31, 2015 and 2014. Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to participants service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary from United Actuarial Services, Inc. and is that 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 decrements such as for death, disability, withdrawals or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2016 and 2015 were (a) life expectancy of participants (115% of RP-2014 Blue Collar Mortality Tables from Employees and Health Annuitants adjusted backward to 2006 with the MP-2014 Projection Scale and projected forward using the MP-2016 Projection Scale was used for 2016 and RP-2014 Generational Blue Collar Mortality Tables for Employees and Health Annuitants Projected using the MP-2014 Projection Scale, set forward three years for Males and Females was used for 2015), (b) retirement age assumptions (the assumed average retirement age is based on a graduated scale depending on retirement probabilities) and (c) investment return. The 2016 and 2015 valuations included the assumed average rate of return of 7.75%. The administrative expenses associated with providing benefits for the 2016 and 2015 valuations were assumed at \$260,000. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

**Note C: Funding Policy**

Contributions are obtained directly from participating employers. These contributions are based on hours worked by plan participants and at hourly rates specified in the collective bargaining agreements. The contributions received for the years ended December 31, 2017 and 2016 exceeded the minimum funding requirements of ERISA.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note D: Fair Value Measurements**

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, the fair value hierarchy, the Plan's assets at fair value as of:

Fair Value Measurements at December 31, 2017

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 17,072,051	\$ 17,072,051	\$ -	\$ -
Real estate investment funds	4,763,168	-	4,763,168	-
Common collective trusts	4,804,662	-	4,804,662	-
Mutual funds	29,505,936	-	29,505,936	-
Hedge fund of funds	6,969,949	-	-	6,969,949
Limited partnerships	<u>4,843,476</u>	<u>-</u>	<u>-</u>	<u>4,843,476</u>
<b>Total</b>	<u><u>\$ 67,959,242</u></u>	<u><u>\$ 17,072,051</u></u>	<u><u>\$ 39,073,766</u></u>	<u><u>\$ 11,813,425</u></u>

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note D: Fair Value Measurements (Continued)**

Fair Value Measurements at December 31, 2016

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 15,594,405	\$ 15,594,405	\$ -	\$ -
Real estate investment funds	4,517,581	-	4,517,581	-
Common collective trusts	3,963,119	-	3,963,119	-
Mutual funds	24,637,716	-	24,637,716	-
Hedge fund of funds	6,505,048	-	-	6,505,048
Limited partnerships	<u>5,349,186</u>	<u>-</u>	<u>-</u>	<u>5,349,186</u>
Total	<u>\$ 60,567,055</u>	<u>\$ 15,594,405</u>	<u>\$ 33,118,416</u>	<u>\$ 11,854,234</u>

*Level 1 Fair Value Measurements*

The fair value of common stock is based on quoted market prices.

*Level 2 Fair Value Measurements*

The common collective trusts and mutual funds are not traded in an active market or exchange. No cusip or ticker to access unit value. The fair value of the investment is determined by a daily calculated unit value, which is an observable input.

Real estate investment funds are valued based upon using a combination of internal valuations and third-party independent real estate appraisers selected by the Board of Directors to value real estate investments on a quarterly basis. Internal valuations are prepared quarterly using a combination of packaged software and proprietary models, which focus on discounted cash flow (DCF) and cap rate.

*Level 3 Fair Value Measurements*

The hedge fund of funds is valued based upon financial information supplied to the hedge fund advisor by management of each underlying hedge fund portfolio or its investment manager. The fund's investments consist principally of portfolios that are not located in the United States, and are represented by a diversified portfolio of private investment entities and/or entities separately managed accounts. The value of the investments represents the advisor's belief that the value provided by each entity is fairly stated as of the valuation date. The fair value of the limited partnerships is determined using a model that incorporates various inputs including projected cash flows.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note D: Fair Value Measurements (Continued)**

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of limited partnerships is based on appraised value.

*Level 3 Gain and Losses*

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets as follows:

	<u>Year ended December 31, 2017</u>	
	<u>Limited Partnerships</u>	<u>Hedge Fund of Funds</u>
Balance, beginning of year	\$ 5,349,186	\$ 6,505,048
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	91,319	1,283,537
Purchases, sales, issuances and settlements (net)	<u>(597,029)</u>	<u>(818,636)</u>
	<u>\$ 4,843,476</u>	<u>\$ 6,969,949</u>

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets as follows:

	<u>Year ended December 31, 2016</u>	
	<u>Limited Partnerships</u>	<u>Hedge Fund of Funds</u>
Balance, beginning of year	\$ 3,881,233	\$ 6,015,007
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	675,091	291,045
Purchases, sales, issuances and settlements (net)	<u>792,862</u>	<u>198,996</u>
	<u>\$ 5,349,186</u>	<u>\$ 6,505,048</u>

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note E: Investments**

The Plan's investments are held by the trust department of Comerica Bank as custodian and managed by several investment management companies.

During the Plan years ended December 31, 2017 and 2016, the Plan's investments (including investments bought, sold and held during the year) appreciated in value by \$8,285,558 and \$4,394,792, respectively.

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Net appreciation (depreciation) in fair value:		
Common stocks	\$ 1,359,187	\$ 961,705
Real estate fund	184,214	233,686
Mutual fund	4,739,570	2,233,265
Hedge fund of funds	1,283,537	291,045
Limited partnerships	91,319	675,091
Common collective trusts	<u>627,731</u>	<u>-</u>
	<u>\$ 8,285,558</u>	<u>\$ 4,394,792</u>

The following is a comparison of cost to market value of investments other than cash at December 31, 2017:

	<u>Market Value</u>	<u>Cost</u>	<u>Market Value Over (Under)</u>
Common stocks	\$ 17,072,051	\$ 13,899,818	\$ 3,172,233
Real estate funds	4,763,168	3,643,739	1,119,429
Common collective trusts	4,804,662	3,826,521	978,141
Mutual funds	29,505,936	24,966,067	4,539,869
Hedge fund of funds	6,969,949	3,153,334	3,816,615
Limited partnerships	<u>4,843,476</u>	<u>3,671,958</u>	<u>1,171,518</u>
	<u>\$ 67,959,242</u>	<u>\$ 53,161,437</u>	<u>\$ 14,797,805</u>

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**Note F: Investments in Limited Partnerships**

The Plan's investments include ownership interests in Limited Partnerships as follows:

Vintage VI Mgr, L.P.

The Plan has invested in this Limited Partnership and holds an ownership interest proportionate to the ratio of its capital contribution to total capital contributed by all partners.

The Limited Partnership invests in pooled investment vehicles that invest both domestically and internationally across all sectors of the private equity market.

The methodology by which gains and losses, net of expenses of the partnership are to be allocated is as follows:

- a) Net gain - Net profits shall be first allocated to the General Partner if net losses were allocated to the general partner pursuant to Note F(b) below with respect to the nonallocable net loss of the limited partners, until the cumulative amount of net profits allocated to the general partner pursuant to this Note F(a) for the then current and all previous accounting periods is equal to the cumulative amount of net losses allocated to the general partner pursuant to Note F(b) with respect to the nonallocable net loss of the limited partners for all previous accounting periods.
- b) Net loss - Net losses, if any, for an accounting period shall be allocated to the Partners in proportion to their respective percentage interest as of the first day of that accounting period except that, to the extent that such an allocation of net losses to a limited partner would result in such limited partner having an adjusted capital account deficit at the end of any accounting period, such allocation of net losses (the "nonallocable net loss") shall not be made but instead the nonallocable net loss shall be reallocated to the general partner. In the event any limited partner has an adjusted capital account deficit at the end of any fiscal year, such limited partner shall be specially allocated items of partnership income and gain in the amount of such excess as soon as practicable.

McMorgan Infra Structure Fund I, L.P.

The Plan has invested in this Limited Partnership and holds an ownership interest proportionate to the ratio of its capital contribution to total capital contributed by all partners.

The Limited Partnership invests directly or indirectly through one or more subsidiaries, to (a) acquire, improve, maintain, own, operate, manage, finance, refinance, hold, divide, aggregate, grant options with respect to, sell, reposition, exchange and otherwise deal in and with Portfolio Investments, (b) acquire, hold and dispose of Interim Investments, and (c) engage in any other activities necessary, related or incidental thereto.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note F: Investments in Limited Partnerships** (Continued)

McMorgan Infra Structure Fund I, L.P. (Continued)

The Partnership is a dedicated vehicle used to participate in the Global Strategic Investment Alliance (the “GSIA” or the “Alliance”) as a direct member of the Alliance. The GSIA is a co-investment program established by OMERS Strategic Investments Limited (“OMERS Strategic Investments”), an affiliate of OMERS Administration Corporation (“OMERS”), and others to bring together a limited number of sophisticated institutional investors to jointly invest up to \$20 billion large-scale infrastructure “Alpha Assets,” which are generally defined as large scale, capital-intensive assets with enterprise values in excess of \$2 billion. The GSIA intends to bring strategic and competitive advantages to Alliance Members through a substantial pool of institutional equity capital and an experienced asset originator and asset manager. All GSIA investments are identified, pursued and managed by Borealis Infrastructure Management, Inc. (“Borealis”), the infrastructure investment arm of OMERS, or its designated subsidiaries. Administrative support services to the GSIA are provided by Rosewater Global Limited, an affiliate of OMERS (the “Alliance Administrator”).

The methodology by which gains and losses, net of expenses of the partnership are to be allocated is as follows:

- a) Net gain - Net profits shall be first allocated to the General Partner if net losses were allocated to the general partner pursuant to Note F(b) below with respect to the nonallocable net loss of the limited partners, until the cumulative amount of net profits allocated to the general partner pursuant to this Note F(a) for the then current and all previous accounting periods is equal to the cumulative amount of net losses allocated to the general partner pursuant to Note F(b) with respect to the nonallocable net loss of the limited partners for all previous accounting periods.
- b) Net loss - Net losses, if any, for an accounting period shall be allocated to the Partners in proportion to their respective percentage interest as of the first day of that accounting period except that, to the extent that such an allocation of net losses to a limited partner would result in such limited partner having an adjusted capital account deficit at the end of any accounting period, such allocation of net losses (the “nonallocable net loss”) shall not be made but instead the nonallocable net loss shall be reallocated to the general partner. In the event any limited partner has an adjusted capital account deficit at the end of any fiscal year, such limited partner shall be specially allocated items of partnership income and gain in the amount of such excess as soon as practicable.



**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note G: Net Investment Income**

Following is a summary of investment income for the years ended December 31,

	2017	2016
Investment income (loss):		
Interest and dividends	\$ 986,111	\$ 982,517
Class action settlement	44,198	773
Net appreciation (depreciation) in fair value of investments	8,285,558	4,394,792
	9,315,867	5,378,082
Less – investment expense	309,372	279,961
	\$ 9,006,495	\$ 5,098,121

**Note H: Plan Termination**

In the event the Plan terminates, the net assets of the Plan will be allocated as prescribed by ERISA and its related regulations.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivors' pension benefits. However, PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations.

Whether all participants receive their benefits should the Plan terminate at some time will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits and may also depend on the level of benefits guaranteed by the Pension Benefit Guaranty Corporation.

**Note I: Tax Status**

The trust established under the Plan to hold the Plan's assets is qualified and exempt from income taxes, pursuant to Sections 401(a) and 501(a) respectively, of the Internal Revenue code. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service and the Plan sponsor believes the Plan, as amended, continues to qualify and to operate as designed.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note J:**     **Tax Uncertainties and Open Tax Years**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Fund and recognize a tax liability (or asset) if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. Management has analyzed the tax positions taken by the Fund, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examination for years prior to December 31, 2014.

**Note K:**     **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 the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In addition to investments and cash equivalents, financial instruments which potentially subject the Plan to concentrations of credit risk consist principally of cash. The Plan places its cash with tier I financial institutions. At times, the amount of cash on deposit in banks may be in excess of the respective financial institution's FDIC insurance limit.

**Note L:**     **Reportable Transactions**

The United States Department of Labor requires all transactions in excess of 5% of the current value of the Plan's net assets for non-participant-directed investments to be disclosed separately in the financial statements as a reportable transaction.

**Note M:**     **Party-in-Interest Transactions**

Plan investments are held at Comerica Bank (the custodian). The transactions of the custodian qualify as party-in-interest transactions.

Fees paid during the year for legal, auditing, investment manager, investment advisor, and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**Note N: Employer Withdrawal Liability**

The Fund complies with provisions of the Multi-Employer Pension Plan Amendments Act of 1980 that require imposition of “Withdrawal Liability” on a contributing employer that partially or totally withdraws from the Fund. The Fund uses the presumptive method, as described in ERISA 4211 (b), to allocate unfunded vested benefits to employers that withdraw. This is the method required by statute for use by construction industry plans.

**Note O: Derivative Financial Instruments**

The Board of Trustees has established an investment policy which permits the uses of derivative instruments by investment managers. The investment policy identifies the permissible uses of derivative instruments, and also expressly identifies those types of derivatives to be avoided. The Fund has entered into contractual arrangements classified as derivatives in carrying out its investment strategy, principally to hedge a portion of the Fund’s portfolio to limit or minimize exposure to certain risks.

**Note P: Subsequent Events**

The date to which events occurring after December 31, 2017, the date of the most recent Statement of Net Assets Available for Benefits, have been evaluated for possible adjustments to the financial statements or disclosure is June 14, 2018, which is the date in which the financial statements were available to be issued.

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**  
**SUPPLEMENTAL SCHEDULES**



John M. Grace, CPA  
Bryan D. Stulz, CPA  
George Benda, CPA  
(1941-2007)



**INDEPENDENT AUDITOR'S REPORT**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets held for investments and reportable transactions, together referred to as “supplemental information”, are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Benda, Grace, Stulz & Company, P.C.*

Sterling Heights, Michigan  
June 14, 2018

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<b>COMMON STOCK</b>					
	Aerojet	1,868	Common stock	\$ 57,049	\$ 58,282
	Amerco Inc	384	Common stock	141,360	145,117
	Apache Corp	3,417	Common stock	177,726	144,266
	Aramark Hldgs Corp	1,280	Common stock	46,984	54,707
	Archer Daniels Midland Co	2,347	Common stock	103,918	94,068
	BOK Finl Corp	1,563	Common stock	111,698	144,296
	Borg Warner	2,230	Common stock	75,879	113,931
	Brinker Intl Inc	4,860	Common stock	197,505	188,762
	CSRA Inc	5,277	Common stock	155,406	157,888
	Citizens Finl Group Inc	4,352	Common stock	117,359	182,697
	Cognizant Technology Solutions	1,720	Common stock	92,339	122,154
	Discovery Communications	7,534	Common stock	198,735	168,611
	EQT Corp	2,745	Common stock	155,785	156,245
	Entergy Corp	843	Common stock	59,693	68,612
	F5 Networks Inc	1,293	Common stock	164,427	169,667
	Fifth Third Bancorp	5,010	Common stock	104,687	152,003
	Gentex Corp	9,470	Common stock	157,353	198,397
	Healthsouth Corp	2,644	Common stock	108,122	130,640
	Helmerich & Payne Inc	1,900	Common stock	128,575	122,816
	Interpublic Group Cos Inc	9,160	Common stock	194,313	184,666
	Jones Lang LaSalle Inc	796	Common stock	95,266	118,548
	Kar Auction Svcs	3,070	Common stock	128,344	155,066
	Michaels Cos Inc	8,500	Common stock	186,883	205,615
	Newfield Exploration Co	5,300	Common stock	175,415	167,109
	Nisource Inc	4,090	Common stock	91,124	104,990
	Northern Trust	1,410	Common stock	98,283	140,845
	Robert Half Intl	1,910	Common stock	74,462	106,081
	Sabre Corp	7,290	Common stock	191,112	149,445
	JM Smucker Company	1,205	Common stock	127,391	149,709
	Snap On Inc	830	Common stock	121,947	144,669
	Spirit Aerosystems Hldgs Inc	1,340	Common stock	61,810	116,915
	UGI Corp	2,940	Common stock	142,733	138,033
	Universal Health Svcs	1,359	Common stock	157,191	154,043
	Vistra Energy Corp	8,020	Common stock	140,222	146,927
	Zayo Group Hldgs	2,520	Common stock	91,550	92,736
	Axalta Coating Systems	1,580	Common stock	40,735	51,129
	Invesco	4,730	Common stock	137,861	172,834

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<b>COMMON STOCK-Continued</b>					
	White Mountain Insurancw	229	Common stock	163,058	194,943
	Ryman Hospitality Pptys	2,047	Common stock	89,480	141,284
	Store Cap Corp	4,380	Common stock	88,300	114,055
	Weyerhaeuser Co	4,038	Common stock	110,733	142,380
	Actuant Corp	8,300	Common stock	190,611	209,990
	Broadridge Finl Solutions	3,600	Common stock	162,954	326,088
	Brown & Brown Inc	7,800	Common stock	252,733	401,388
	C H Robinson Worldwide	3,500	Common stock	222,168	311,815
	Cintas Corp	1,100	Common stock	64,770	171,413
	Fastenal	2,600	Common stock	98,564	142,194
	Graco Inc	1,950	Common stock	44,658	88,179
	Hillenbrand	6,000	Common stock	180,663	268,200
	LPL Financial Hldgs	6,000	Common stock	163,660	342,840
	Landstar System Inc	2,000	Common stock	130,342	208,200
	Legg Mason	9,000	Common stock	312,363	377,820
	Market Corp	125	Common stock	87,906	142,391
	Matthews Intl Corp	4,200	Common stock	196,414	221,760
	McCormick & Co	1,600	Common stock	124,653	163,056
	Post Hldgs Inc	1,900	Common stock	96,492	150,537
	Stericycle Inc	5,800	Common stock	408,954	394,342
	Waters Corp	950	Common stock	111,760	183,531
	Western Union Co	17,500	Common stock	310,704	332,675
	Wiley John & Sons	5,200	Common stock	259,077	341,900
	I H S Markit	2,756	Common stock	90,617	124,433
	Willis Towers Watson	2,300	Common stock	267,200	346,587
	Agco Corp	993	Common stock	38,684	70,930
	AT&T	791	Common stock	28,487	30,754
	Alcoa Corp	1,208	Common stock	41,357	65,075
	Allstate Corp	475	Common stock	47,244	49,737
	Altria Group Inc	1,052	Common stock	72,637	75,123
	American Express Co	557	Common stock	55,415	55,316
	Anthem Inc	356	Common stock	68,051	80,104
	Applied Matis Inc	1,399	Common stock	34,062	71,517
	Bank of America Corp	6,310	Common stock	106,248	186,271
	Baxter Intl	1,308	Common stock	53,887	84,549
	Berkshire Hathaway	866	Common stock	112,489	171,659
	Best Buy	1,188	Common stock	51,666	81,342

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<b>COMMON STOCK-Continued</b>					
	Blackrock Inc	143	Common stock	61,047	73,461
	Cigna Corp	315	Common stock	62,105	63,973
	CVS/Caremark	1,133	Common stock	82,097	82,143
	Centerpoint Energy Inc	1,884	Common stock	54,097	53,430
	Chevron Corporation	1,026	Common stock	77,656	128,445
	Cisco Sys	2,483	Common stock	75,643	95,099
	Citigroup Inc	1,950	Common stock	100,299	145,100
	DXC Technology	866	Common stock	63,448	82,183
	East West Bancorp	1,038	Common stock	57,609	63,142
	Entergy Corp	890	Common stock	71,159	72,437
	Exelon Corporation	2,253	Common stock	73,806	88,791
	Express Scripts	838	Common stock	54,776	62,548
	Exxon Mobil Corporation	2,332	Common stock	191,639	195,048
	Fifth Third Bancorp	2,820	Common stock	79,925	85,559
	FirstEnergy Corp	2,657	Common stock	85,594	81,357
	General Electric Co	1,243	Common stock	29,078	21,690
	General Motors Co	2,415	Common stock	87,247	98,991
	Gilead Sciences Inc	646	Common stock	47,358	46,279
	Goldman Sachs Group	223	Common stock	54,579	56,811
	Hanesbrands Inc	2,759	Common stock	57,874	57,691
	Helmrch & Payne	755	Common stock	48,850	48,803
	Honeywell Intl Inc	347	Common stock	50,641	53,216
	Huntsman Corp	2,073	Common stock	40,991	69,010
	Ingredion Inc	439	Common stock	53,929	61,372
	Intel Corp	1,705	Common stock	57,590	78,703
	J P Morgan Chase	1,831	Common stock	128,909	195,807
	Johnson & Johnson	1,489	Common stock	168,249	208,043
	Lear Corp	278	Common stock	26,356	49,111
	Lincoln Natl Corp	1,019	Common stock	69,439	78,331
	Manpower Inc	657	Common stock	57,250	82,854
	Micron Technology Inc	1,787	Common stock	46,699	73,481
	Mondelez Intl Inc	1,142	Common stock	46,799	48,878
	Morgan Stanley	1,299	Common stock	61,508	68,159
	National Oilwell Vargo Inc	985	Common stock	41,629	35,480
	Oneman Holdings Inc	1,563	Common stock	41,666	40,622
	Oracle Corp	1,193	Common stock	56,660	56,405
	Oshkosh Truck Corp	654	Common stock	26,710	59,442



OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<b>COMMON STOCK-Continued</b>					
	Owens Corning	664	Common stock	38,240	61,048
	PNC Financial Services Group	455	Common stock	62,239	65,652
	Pepsico Inc.	329	Common stock	38,486	39,454
	Pfizer Inc	4,428	Common stock	146,851	160,382
	Phillips 66	875	Common stock	68,366	88,507
	Procter & Gamble	1,681	Common stock	136,857	154,450
	Prudential Financial	826	Common stock	84,465	94,973
	Public Svc Enterprise Group Inc	1,837	Common stock	81,046	94,606
	Reliance Steel & Aluminum	463	Common stock	24,344	39,721
	Spirit Aerosystems Hldgs Inc	814	Common stock	45,697	71,022
	State Street Corp	622	Common stock	48,782	60,713
	T-Mobile US Inc	1,064	Common stock	68,595	67,575
	Textron Inc	1,234	Common stock	48,092	69,266
	Thermo Fisher Scientific Inc	283	Common stock	42,783	53,736
	Tyson Foods Inc	1,215	Common stock	72,439	98,500
	Unumprovident Corp	1,243	Common stock	44,208	68,228
	Valero Energy Corp	1,250	Common stock	68,015	115,163
	Verizon Communications	1,576	Common stock	70,558	83,418
	Wells Fargo & Co	766	Common stock	37,556	46,473
	Western Digital Corp	581	Common stock	46,213	46,207
	Westrock Co	645	Common stock	37,545	40,770
	Whirlpool Corp	145	Common stock	23,045	24,453
	World Fuel Services	1,821	Common stock	68,439	51,243
	XPO Logistics Inc	669	Common stock	44,776	61,274
	Carnival Corp	1,127	Common stock	74,382	74,799
	Steris PLC	708	Common stock	62,484	61,929
	Avalonbay Communities	344	Common stock	62,910	61,373
	Equinix Inc	127	Common stock	56,077	57,559
	Medical Pptys Tr	4,485	Common stock	59,412	61,803
	Regency Centers Corp	589	Common stock	35,982	40,747
	Weyerhaeuser Co	1,651	Common stock	59,720	58,215
	<b>TOTAL COMMON STOCK</b>			<u>13,899,818</u>	<u>17,072,051</u>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
<b>LIMITED PARTNERSHIP</b>					
	Goldman Sachs McMorgan & Company	1 2,744,458	Vintage VI Mgr, L.P. McMorgan Infrastructure Fund, I L.P.	1,315,410 <u>2,356,548</u>	2,098,018 <u>2,744,458</u>
<b>TOTAL LIMITED PARTNERSHIP</b>				<u>3,671,958</u>	<u>4,842,476</u>
<b>REAL ESTATE FUNDS</b>					
	Reef of America REIT II	40,043	Real Estate Investment Fund	<u>3,643,739</u>	<u>4,763,168</u>
<b>COMMON COLLECTIVE TRUSTS</b>					
	Comerica Bank Martingale Investment Trust	826,521 223,602	Short Term Fund Martingale Investment Trust Series 1	826,521 <u>3,000,000</u>	826,521 <u>3,978,141</u>
<b>TOTAL COMMON COLLECTIVE TRUSTS</b>				<u>3,826,521</u>	<u>4,804,662</u>
<b>103-12 INVESTMENT ENTITY</b>					
	Brandywine Asset Management	58,859	Global Fixed Income & Business Investment Trust	<u>1,325,165</u>	<u>2,592,047</u>
<b>MUTUAL FUNDS</b>					
	Baird	678,948	Aggregate Bond Fund	7,319,642	7,380,164
	Nuveen	130,752	Symphony Floating-I	2,578,574	2,558,813
	Vanguard	327,164	FTSE Developed ETF DeV Mkt Indx-Adm	4,214,952	4,714,437
	Vanguard	23,712	Inst Index Fund	4,570,451	5,773,153
	Copper Rock International	150,662	Small Cap Fund	2,457,283	3,132,191
	Lazard	251,509	Emerging Markets Core Equity Fund	<u>2,500,000</u>	<u>3,355,131</u>
<b>TOTAL MUTUAL FUND</b>				<u>23,640,902</u>	<u>26,913,889</u>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2017

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
	<b>OTHER</b>				
	Entrust Capital	22,214	Entrust Capital Diversified Fund Ltd	22,214	1,497,861
	Entrust Capital	5,472,088	Entrust Special Opportunities Fund III Ltd	3,131,120	5,472,088
	<b>TOTAL OTHER</b>			3,153,334	6,969,949
	<b>TOTAL ASSETS HELD FOR INVESTMENT</b>			<u>\$ 53,161,437</u>	<u>\$ 67,958,242</u>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS  
EIN 38-6222545 Plan No. 001  
Year Ended December 31, 2017

Identity of Party Involved	Description of Asset (Include Rate of Return and Maturity in Case of Loan)	Purchase Price	Selling Price	Lease Rental	Expense Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
<b>iii) SERIES OF TRANSACTIONS IN EXCESS OF 5% OF THE CURRENT VALUE OF PLAN ASSETS</b>								
Comerica	Goldman Sachs FS Government Fund							
	357 Purchases	9,305,980				9,305,980	9,305,980	
	127 Sales		9,092,176			9,092,176	9,092,176	-
Entrust Capital	Entrust Capital Diversified Fund Ltd							
	8 Purchases	2,277,971				2,277,971	2,277,971	
	2 Sales		1,820,984			1,820,984	1,820,984	-

There were no reportable transactions under categories (i) (ii), and (iv).