

**OUTSTATE MICHIGAN TROWEL TRADES
PENSION FUND**

Lansing, Michigan

FINANCIAL STATEMENTS

December 31, 2020

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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, 2020 and 2019, 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, 2019 and 2018, 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, 2020 and 2019, and changes therein for the years then ended and its financial status as of December 31, 2019 and 2018, 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 24, 2021

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31, | |
|---|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>ASSETS</u> | | |
| Investments at fair value (Notes B, D and E): | | |
| Common stocks | \$ 7,518,718 | \$ 7,079,338 |
| Real estate funds | 7,237,874 | 7,373,450 |
| Common collective trusts | 25,610,003 | 6,138,306 |
| Mutual funds | 23,094,280 | 42,546,171 |
| Hedge fund of funds | 2,934,577 | 3,101,498 |
| Limited partnerships (Note F) | <u>8,816,962</u> | <u>4,020,351</u> |
| Total investments | <u>75,212,414</u> | <u>70,259,114</u> |
| Receivables: | | |
| Employer contributions (Note B) | 211,631 | 232,067 |
| Accrued interest and dividends | 68,775 | 84,802 |
| Other | <u>50</u> | <u>50</u> |
| Total receivables | <u>280,456</u> | <u>316,919</u> |
| Other assets: | | |
| Prepaid expenses | 14,882 | 17,190 |
| Unexpired insurance premiums | 5,832 | 6,342 |
| Cash | <u>964,063</u> | <u>897,090</u> |
| Total other assets | <u>984,777</u> | <u>920,622</u> |
| Total assets | 76,477,647 | 71,496,655 |
| <u>LIABILITIES</u> | | |
| Accounts payable | <u>103,927</u> | <u>93,064</u> |
| NET ASSETS AVAILABLE FOR BENEFITS | <u>\$ 76,373,720</u> | <u>\$ 71,403,591</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>2020</u> | <u>2019</u> | <u>(Decrease)</u> |
| <u>ADDITIONS</u> | | | |
| Net investment income (Note G) | \$ 6,680,898 | \$ 9,016,820 | \$ (2,335,922) |
| Employer contributions | 3,478,677 | 3,680,160 | (201,483) |
| Liquidated damages collected | <u>2,182</u> | <u>1,299</u> | <u>883</u> |
| Total additions | <u>10,161,757</u> | <u>12,698,279</u> | <u>(2,536,522)</u> |
| <u>DEDUCTIONS</u> | | | |
| Benefit payments | <u>4,949,689</u> | <u>4,746,432</u> | <u>203,257</u> |
| Administrative expenses: | | | |
| Administrative manager's fee | 54,875 | 54,875 | - |
| Premiums paid Pension Benefit | | | |
| Guaranty Corporation | 40,680 | 40,165 | 515 |
| Legal fees | 26,710 | 7,165 | 19,545 |
| Actuarial fee | 23,600 | 23,300 | 300 |
| Audit fee | 18,350 | 17,750 | 600 |
| Payroll audit fees | 17,416 | 14,039 | 3,377 |
| Trustee and fiduciary liability | | | |
| insurance and bonding | 16,263 | 15,653 | 610 |
| Printing and miscellaneous | 10,825 | 11,618 | (793) |
| Lockbox and bank service charges | 9,656 | 5,228 | 4,428 |
| Member communications | 9,065 | 5,259 | 3,806 |
| Educational foundation dues | 4,673 | 4,940 | (267) |
| Legal fees – collection | 4,315 | 3,744 | 571 |
| Conference and seminar expense | 1,728 | - | 1,728 |
| Form 5500 preparation fee | 1,600 | 1,600 | - |
| Trustee meeting expense | 1,133 | 3,791 | (2,658) |
| Medical examinations | <u>1,050</u> | <u>-</u> | <u>1,050</u> |
| Total administrative expenses | <u>241,939</u> | <u>209,127</u> | <u>32,812</u> |
| Total deductions | <u>5,191,628</u> | <u>4,955,559</u> | <u>236,069</u> |
| <u>NET INCREASE (DECREASE)</u> | 4,970,129 | 7,742,720 | <u>\$ (2,772,591)</u> |
| <u>NET ASSETS AVAILABLE FOR BENEFITS</u> | | | |
| Beginning of year | <u>71,403,591</u> | <u>63,660,871</u> | |
| End of year | <u>\$ 76,373,720</u> | <u>\$ 71,403,591</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>2019</u> | <u>2018</u> |
| <u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u> | | |
| Vested benefits: | | |
| Participants currently receiving payments | \$ 44,989,147 | \$ 42,647,423 |
| Expenses on participants currently receiving benefits | 2,136,984 | 2,238,990 |
| Other participants | 34,059,282 | 33,811,809 |
| Expenses on other participants | <u>1,617,816</u> | <u>1,775,120</u> |
| | <u>82,803,229</u> | <u>80,473,342</u> |
| Non-vested benefits: | | |
| Non-vested accumulated benefits | 2,364,032 | 1,693,535 |
| Expenses on other participants | <u>112,292</u> | <u>88,911</u> |
| | <u>2,476,324</u> | <u>1,782,446</u> |
| <u>TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u> | <u>\$ 85,279,553</u> | <u>\$ 82,255,788</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, | |
|---|-----------------------------|-----------------------------|
| | 2019 | 2018 |
| <u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR</u> | <u>\$ 82,255,788</u> | <u>\$ 80,003,760</u> |
| Increase (decrease) during the period attributable to: | | |
| Plan amendment | - | 20,352 |
| Change in actuarial assumption | 143,709 | (433,896) |
| Benefits accumulated and experience gain or loss | 1,460,791 | 1,179,686 |
| Interest due to decrease in discount period | 6,374,824 | 6,200,291 |
| Benefits paid | (4,746,432) | (4,485,083) |
| Operational expenses paid | (209,127) | (229,322) |
| Net increase | 3,023,765 | 2,252,028 |
| <u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR</u> | <u>\$ 85,279,553</u> | <u>\$ 82,255,788</u> |

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, 2020, 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, 2020, attributed to hours worked prior to January 1, 2021, have been reflected as contributions due from employers as of December 31, 2020 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, 2019 and 2018. 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, 2019 and 2018 were (a) life expectancy of participants (100% of the PRI-2012 Blue Collar Mortality Tables for Employees and Healthy Annuitants projected forward using the MP-2019 Projection Scale. For Female Annuitants, the Contingent Survivor Table was used for 2019 and 105% of the RP-2006 Blue Collar Mortality Tables (the RP-2014 Table adjusted backward to 2006 with the MP-2014 Projection Scale) for Employees and Health Annuitants projected forward using the MP-2018 Projection Scale was used for 2018), (b) retirement age assumptions (the assumed average retirement age is based on a graduated scale depending on retirement probabilities) and (c) investment return. The 2019 and 2018 valuations included the assumed average rate of return of 7.75%. The administrative expenses associated with providing benefits were assumed at \$240,000 for 2019 and 2018. 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, 2020 and 2019 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. These level 3 fair value measurements are based primarily on management's own estimates, using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the assets. Significant level 3 inputs include information provided by fund managers, third-party appraisals, year-end audited financial statements, projected discounted cash flows, and net asset value with adjustments related to certain restrictions. Management assesses the valuation of these investments through the engagement of a third-party investment advisor and periodic meetings to review these investments.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Fund's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factor specific to each asset.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note D: Fair Value Measurements (Continued)

The following valuation methodologies have been used to value the Fund's investments:

Mutual funds – Mutual funds are valued at closing quoted prices reported in active markets.

Common collective trust funds – Common collective trust funds are valued at net asset value per shares (or its equivalent) of the funds, which is based on the fair value of the Fund's underlying net assets.

Limited partnerships – Limited partnerships are valued based on the Fund's percentage ownership of the net assets of each entity or at net asset value per share (or its equivalent) based on audited investee financial statements, with adjustments to account for partnership activity and other applicable valuation adjustments, where applicable.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to estimate fair value could result in a different fair value measurement at the reporting date.

Real estate – Real estate is valued at market data approach, then computing properties for sale and current market conditions.

Money market funds – Money market funds are valued at closing quoted prices reported in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to estimate fair value could result in a different fair value measurement at the reporting date.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note D: Fair Value Measurements (Continued)

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, 2020

| | <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 | \$ 7,518,718 | \$ 7,518,718 | \$ - | \$ - |
| Real estate investment funds | 7,237,874 | - | 7,237,874 | - |
| Mutual funds | <u>23,094,280</u> | <u>23,094,280</u> | <u>-</u> | <u>-</u> |
| | 37,850,872 | <u><u>\$ 30,612,998</u></u> | <u><u>\$ 7,237,874</u></u> | <u><u>\$ -</u></u> |
| Investment measured at NAV: | | | | |
| Common collective trusts | 25,610,003 | | | |
| Hedge fund of funds | 2,934,577 | | | |
| Limited partnerships | <u>8,816,962</u> | | | |
| Total | <u><u>\$ 75,212,414</u></u> | | | |

Fair Value Measurements at December 31, 2019

| | <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 | \$ 7,079,338 | \$ 7,079,338 | \$ - | \$ - |
| Real estate investment funds | 7,373,450 | - | 7,373,450 | - |
| Mutual funds | <u>42,546,171</u> | <u>42,546,171</u> | <u>-</u> | <u>-</u> |
| | 56,998,959 | <u><u>\$ 49,625,509</u></u> | <u><u>\$ 7,373,450</u></u> | <u><u>\$ -</u></u> |
| Investment measured at NAV: | | | | |
| Common collective trusts | 6,138,306 | | | |
| Hedge fund of funds | 3,101,498 | | | |
| Limited partnerships | <u>4,020,351</u> | | | |
| Total | <u><u>\$ 70,259,114</u></u> | | | |

OUTSTATE MICHIGAN TROWEL TRADES PENSIONI FUND

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note D: Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption limitations of those investments are as follows:

| | Fair Value | | Unfunded Commitments | Redemption Frequency, If Eligible | Redemption Notice Period |
|--|---------------------|----------------------|-------------------------|---|-----------------------------|
| | December 31, | | | | |
| | 2020 | 2019 | | | |
| Common collective trust: | | | | | |
| Short Term Investment Fund | 634,646 | 1,750,076 | \$ - | Daily | N/A |
| Martingale Investment Trust Series 1 | 4,728,112 | 4,388,230 | - | Daily | N/A |
| Northern Trust Collective S&P 500 Index Fund - Lending | 13,783,197 | - | - | Daily | N/A |
| Northern Trust Collective EAFE Index Fund-Lending | 6,464,048 | - | - | Daily | N/A |
| Hedge funds of funds | | | | | |
| Entrust Capital Diversified Fund, Ltd | 243,239 | 244,056 | - | Montly | N/A |
| Entrust Special Opportunities Fund III, Ltd | 2,691,338 | 2,857,442 | - | Montly | N/A |
| Limited Partnerships: | | | | | |
| Goldman Sachs Vintage VI Manager, L.P. | 935,651 | 916,737 | 951,511 | Quarterly | N/A |
| McMorgan Infrastructure Fund I, L.P. | 4,032,936 | 3,103,614 | 1,659,821 | Quarterly | N/A |
| International Fund, LLC | 3,848,375 | - | - | Quarterly | N/A |
| | <u>\$37,361,542</u> | <u>\$ 13,260,155</u> | <u>\$ 2,611,332</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, 2020 and 2019, the Plan's investments (including investments bought, sold and held during the year) appreciated in value by \$5,251,375 and \$7,857,578, respectively.

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Net appreciation (depreciation) in fair value: | | |
| Common stocks | \$ 551,740 | \$ 2,209,713 |
| Real estate fund | (140,288) | 256,625 |
| Mutual fund | 321,791 | 5,234,563 |
| Hedge fund of funds | 425,522 | (1,017,553) |
| Limited partnerships | 1,505,480 | 178,588 |
| Common collective trusts | <u>2,587,130</u> | <u>995,642</u> |
| | <u>\$ 5,251,375</u> | <u>\$ 7,857,578</u> |

The following is a comparison of cost to market value of investments other than cash at December 31, 2020:

| | <u>Market Value</u> | <u>Cost</u> | <u>Market Value Over (Under)</u> |
|--------------------------|-------------------------|----------------------|--------------------------------------|
| Common stocks | \$ 7,518,718 | \$ 5,983,514 | \$ 1,535,204 |
| Real estate funds | 7,237,874 | 5,749,156 | 1,488,718 |
| Common collective trusts | 25,610,003 | 21,573,398 | 4,036,605 |
| Mutual funds | 23,094,280 | 20,812,222 | 2,282,058 |
| Hedge fund of funds | 2,934,577 | 2,244,537 | 690,040 |
| Limited partnerships | <u>8,816,962</u> | <u>5,489,502</u> | <u>3,327,460</u> |
| | <u>\$ 75,212,414</u> | <u>\$ 61,852,329</u> | <u>\$ 13,360,085</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 F: Investments in Limited Partnerships (Continued)

International Fund, LLC

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

The Limited Liability Company invests in equity securities of companies headquartered outside the United States, including emerging markets.

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.

Note G: Net Investment Income

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

| | 2020 | 2019 |
|---|--------------|--------------|
| Investment income (loss): | | |
| Interest and dividends | \$ 1,682,502 | \$ 1,457,218 |
| Class action settlement | 623 | 4,386 |
| Net appreciation (depreciation) in fair value of investments | 5,251,375 | 7,857,578 |
| | 6,934,500 | 9,319,182 |
| Less – investment expense | 253,602 | 302,362 |
| | \$ 6,680,898 | \$ 9,016,820 |

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

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.

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, 2020, 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, 2017.

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.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note K: Risks and Uncertainties (Continued)

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.

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, 2020, 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 24, 2021, 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 24, 2021

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2020

| Party-In-Interest | Identity of Issue, Borrower, Lessor, Or Similar Party | Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
|----------------------|---|---|------------|---------------|
| COMMON STOCKS | | | | |
| | Affiliated Managers Group Inc | Common stock | \$ 156,113 | \$ 183,060 |
| | Artisan Partners Asset Mgmt Inc | Common stock | 88,693 | 151,020 |
| | Brown & Brown Inc | Common stock | 73,739 | 199,122 |
| | CDK Global Inc | Common stock | 261,164 | 279,882 |
| | C H Robinson Worldwide Inc | Common stock | 58,529 | 84,483 |
| | Change Healthcare Inc | Common stock | 191,814 | 303,995 |
| | Enerpac Tool Group Corp | Common stock | 119,419 | 117,572 |
| | Franklin Res Inc | Common stock | 125,689 | 139,944 |
| | Hillenbrand Inc | Common stock | 168,299 | 238,800 |
| | LPL Financial Hldgs Inc | Common stock | 84,306 | 239,706 |
| | Landstar System Inc | Common stock | 19,551 | 40,398 |
| | Molson Coors Brewing Co Cl B | Common stock | 286,604 | 284,697 |
| | Post Hldgs Inc | Common stock | 79,207 | 131,313 |
| | Stericycle Inc | Common stock | 220,819 | 273,853 |
| | Sysco | Common stock | 47,063 | 118,816 |
| | US Foods Hldgs Corp | Common stock | 49,467 | 123,247 |
| | US Ecology Inc | Common stock | 39,148 | 48,210 |
| | Western Union Co | Common stock | 130,145 | 160,162 |
| | Wiley John & Sons Inc Cl A | Common stock | 154,384 | 150,678 |
| | Nielsen Holdings PLC | Common stock | 329,792 | 319,311 |
| | Willis Towers Watson PLC | Common stock | 63,896 | 115,874 |
| | Allison Transmission Hldgs Inc | Common stock | 85,423 | 85,397 |
| | Amerco Inc | Common stock | 106,314 | 132,102 |
| | American Finl Group Inc | Common stock | 69,001 | 93,315 |
| | Aramark Hldgs Corp | Common stock | 49,772 | 67,609 |
| | Avista Corp | Common stock | 91,049 | 93,406 |
| | BOK Finl Corp | Common stock | 100,321 | 97,858 |
| | Baker Hughes | Common stock | 62,263 | 96,327 |
| | Carlisle Companies Inc | Common stock | 56,232 | 81,995 |
| | Cerner Corp | Common stock | 36,279 | 55,721 |
| | Citizens Finl Group Inc | Common stock | 95,167 | 110,570 |
| | Citrix Sys Inc | Common stock | 97,538 | 112,536 |
| | Cognizant Technology Solutions | Common stock | 65,756 | 89,326 |
| | Sentsply Sirona Inc | Common stock | 62,906 | 81,944 |
| | Discovery Communications Inc | Common stock | 65,255 | 73,690 |
| | Ebay Inc | Common stock | 72,809 | 100,249 |
| | Encompass Health Corp | Common stock | 86,542 | 133,958 |
| | FNF Group | Common stock | 91,626 | 110,625 |
| | Fifth Third Bancorp | Common stock | 49,523 | 65,341 |
| | General Dynamics Corp | Common stock | 86,658 | 90,780 |
| | Huntington Ingalls Inds Inc | Common stock | 97,252 | 85,240 |

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2020

| Party-In-Interest | Identity of Issue, Borrower, Lessor, Or Similar Party | Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
|----------------------------------|---|---|------------------|------------------|
| COMMON STOCKS - Continued | | | | |
| | Ingredion Inc | Common stock | 135,859 | 102,271 |
| | Interpublic Group Cos Inc | Common stock | 114,867 | 136,886 |
| | LKQ Corp | Common stock | 89,948 | 128,274 |
| | Loews Corp | Common stock | 103,566 | 98,594 |
| | Lumenthum Hldgs Inc | Common stock | 67,526 | 85,320 |
| | Northern Trust Corp | Common stock | 42,171 | 56,350 |
| | Progressive Corp | Common stock | 40,613 | 54,384 |
| | SEI Investment Company | Common stock | 93,884 | 96,262 |
| | Signature Bank | Common stock | 108,477 | 137,319 |
| | Skyworks Solutions Inc | Common stock | 24,717 | 51,215 |
| | Snap On Inc | Common stock | 70,430 | 80,436 |
| | UGI Corp | Common stock | 125,662 | 96,140 |
| | Universal Health Services Inc | Common stock | 82,920 | 100,925 |
| | Vistra Energy Corp | Common stock | 127,003 | 121,302 |
| | Zimmer Biomet Holdings Inc | Common stock | 50,974 | 89,372 |
| | Sensata Technologies Holdings PLC | Common stock | 50,522 | 64,870 |
| | White Mountains Insurance | Common stock | 80,547 | 107,071 |
| | American Campus Communities Inc | Common stock | 54,370 | 67,576 |
| | Camden Ppty Tr | Common stock | 65,594 | 81,435 |
| | Ventas Inc | Common stock | 95,773 | 109,114 |
| | Weyerhaeuser Co | Common stock | 82,564 | 91,470 |
| | TOTAL COMMON STOCKS | | <u>5,983,514</u> | <u>7,518,718</u> |
| LIMITED PARTNERSHIPS | | | | |
| | Goldman Sachs | Vintage VI Mgr, L.P. | 5,866 | 935,651 |
| | McMorgan & Company | McMorgan Infrastructure Fund, I L.P. | 2,733,636 | 4,032,936 |
| | Winslow Capital Management, LLC | Internatioanl Fund, LLC | 2,750,000 | 3,848,375 |
| | TOTAL LIMITED PARTNERSHIPS | | <u>5,489,502</u> | <u>8,816,962</u> |
| REAL ESTATE FUNDS | | | | |
| | Rreef of America REIT II | Real Estate Investment Fund | <u>5,749,156</u> | <u>7,237,874</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, 2020

| Party-In-Interest | Identity of Issue, Borrower, Lessor, Or Similar Party | Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
|---|---|---|----------------------|----------------------|
| COMMON COLLECTIVE TRUSTS | | | | |
| | Comerica Bank | Goldman Sachs Financial Square Funds | 634,645 | 634,645 |
| | Northern Trust | Collective S&P 500 Index Fund | 12,660,759 | 13,783,197 |
| TOTAL COMMON COLLECTIVE TRUSTS | | | <u>21,573,398</u> | <u>25,610,003</u> |
| MUTUAL FUNDS | | | | |
| | Baird | Aggregate Bond Fund | 18,312,222 | 19,248,706 |
| | Lazard | Collective Inv Funds - Equity | 2,500,000 | 3,845,574 |
| TOTAL MUTUAL FUND | | | <u>20,812,222</u> | <u>23,094,280</u> |
| HEDGE FUNDS | | | | |
| | Entrust Capital | Entrust Capital Diversified Fund Ltd | 22,214 | 243,239 |
| | Entrust Capital | Entrust Special Opportunities Fund III Ltd | 2,222,323 | 2,691,338 |
| TOTAL HEDGE FUNDS | | | <u>2,244,537</u> | <u>2,934,577</u> |
| TOTAL ASSETS HELD FOR INVESTMENT | | | <u>\$ 61,852,329</u> | <u>\$ 75,212,414</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, 2020

| 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) |
|--|--|----------------|---------------|--------------|-----------------------------------|-----------------------------|--|--------------------|
| iii) SERIES OF TRANSACTIONS IN EXCESS OF 5% OF THE CURRENT VALUE OF PLAN ASSETS | | | | | | | | |
| Comerica | Goldman Sachs FS Government Fund 240 Purchases 101 Sales | \$ 18,164,009 | 19,279,439 | | | \$ 18,164,009 19,279,439 | \$ 18,164,009 19,279,439 | - |
| Comerica | Vanguard Inst Index Fund 5 Purchases 3 Sales | 277,333 | 16,592,640 | | | 15,481,894 | 16,592,640 | 1,110,746 |
| Comerica | Baird Aggregate Bond Fund 18 Purchase 2 Sales | 10,629,605 | 900,000 | | | 10,629,605 870,572 | 10,629,605 900,000 | 29,428 |
| Comerica | Vanguard FTSE Developed ETF DeV Mkt Indx 3 Purchases 1 Sales | 78,105 | 5,996,908 | | | 78,105 6,351,569 | 78,105 5,996,908 | (354,661) |
| Comerica | Northern Trust Collective S&P 500 Index Fund 2 Purchases 1 Sales | 15,500,000 | 3,000,000 | | | 15,500,000 2,839,343 | 15,500,000 3,000,000 | 160,657 |
| Comerica | Northern Trust Collective EAFE Index Fund 3 Purchases 1 Sales | 6,500,982 | 1,000,000 | | | 6,500,982 890,045 | 6,500,982 1,000,000 | 109,955 |

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