

**OUTSTATE MICHIGAN TROWEL TRADES  
PENSION FUND**

Lansing, Michigan

**FINANCIAL STATEMENTS**

December 31, 2019

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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, 2019 and 2018, 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, 2018 and 2017, 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, 2019 and 2018, and changes therein for the years then ended and its financial status as of December 31, 2018 and 2017, 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 18, 2020

**OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

	December 31,	
	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Investments at fair value (Notes B, D and E):		
Common stocks	\$ 7,079,338	\$ 13,175,636
Real estate funds	7,373,450	6,945,334
Common collective trusts	6,138,306	4,588,685
Mutual funds	42,546,171	28,173,545
Hedge fund of funds	3,101,498	5,379,585
Limited partnerships (Note F)	<u>4,020,351</u>	<u>4,382,465</u>
Total investments	<u>70,259,114</u>	<u>62,645,250</u>
Receivables:		
Employer contributions (Note B)	232,067	233,076
Unsettled investment transactions	-	2,441,871
Accrued interest and dividends	84,802	73,858
Other	<u>50</u>	<u>242</u>
Total receivables	<u>316,919</u>	<u>2,749,047</u>
Other assets:		
Prepaid expenses	17,190	17,815
Unexpired insurance premiums	6,342	7,225
Cash	<u>897,090</u>	<u>774,832</u>
Total other assets	<u>920,622</u>	<u>799,872</u>
Total assets	<u>71,496,655</u>	<u>66,194,169</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	93,064	76,799
Unsettled investment transactions	<u>-</u>	<u>2,456,499</u>
Total liabilities	<u>93,064</u>	<u>2,533,298</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>\$ 71,403,591</u>	<u>\$ 63,660,871</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>2019</u>	<u>2018</u>	<u>(Decrease)</u>
<b><u>ADDITIONS</u></b>			
Net investment income (loss) (Note G)	\$ 9,016,820	\$ (4,136,755)	\$ 13,153,575
Employer contributions	3,680,160	3,535,500	144,660
Liquidated damages collected	<u>1,299</u>	<u>7,651</u>	<u>(6,352)</u>
 Total additions	 <u>12,698,279</u>	 <u>(593,604)</u>	 <u>13,291,883</u>
<b><u>DEDUCTIONS</u></b>			
Benefit payments	<u>4,746,432</u>	<u>4,485,083</u>	<u>261,349</u>
Administrative expenses:			
Administrative manager's fee	54,875	53,995	880
Premiums paid Pension Benefit			
Guaranty Corporation	40,165	38,500	1,665
Actuarial fee	23,300	25,153	(1,853)
Audit fee	17,750	17,250	500
Trustee and fiduciary liability			
insurance and bonding	15,653	15,512	141
Payroll audit fees	14,039	15,345	(1,306)
Printing and miscellaneous	11,618	12,027	(409)
Legal fees	7,165	12,313	(5,148)
Member communications	5,259	6,783	(1,524)
Lockbox and bank service charges	5,228	9,735	(4,507)
Educational foundation dues	4,940	5,177	(237)
Trustee meeting expense	3,791	3,937	(146)
Legal fees – collection	3,744	6,786	(3,042)
Form 5500 preparation fee	1,600	1,500	100
Conference and seminar expense	-	2,749	(2,749)
Medical examinations	<u>-</u>	<u>2,560</u>	<u>(2,560)</u>
 Total administrative expenses	 <u>209,127</u>	 <u>229,322</u>	 <u>(20,195)</u>
 Total deductions	 <u>4,955,559</u>	 <u>4,714,405</u>	 <u>241,154</u>
 <b><u>NET INCREASE (DECREASE)</u></b>	 <u>7,742,720</u>	 <u>(5,308,009)</u>	 <u>\$ 13,050,729</u>
<b><u>NET ASSETS AVAILABLE FOR BENEFITS</u></b>			
Beginning of year	<u>63,660,871</u>	<u>68,968,880</u>	
 End of year	 <u>\$ 71,403,591</u>	 <u>\$ 63,660,871</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>2018</u>	<u>2017</u>
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u></b>		
<b>Vested benefits:</b>		
Participants currently receiving payments	\$ 42,647,423	\$ 41,971,269
Expenses on participants currently receiving benefits	2,238,990	2,308,420
Other participants	33,811,809	32,292,167
Expenses on other participants	<u>1,775,120</u>	<u>1,776,069</u>
	<u>80,473,342</u>	<u>78,347,925</u>
<b>Non-vested benefits:</b>		
Non-vested accumulated benefits	1,693,535	1,569,512
Expenses on other participants	<u>88,911</u>	<u>86,323</u>
	<u>1,782,446</u>	<u>1,655,835</u>
<b><u>TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</u></b>	<u>\$ 82,255,788</u>	<u>\$ 80,003,760</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,	
	2018	2017
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR</u></b>	<b><u>\$ 80,003,760</u></b>	<b><u>\$ 76,412,358</u></b>
<b>Increase (decrease) during the period attributable to:</b>		
Plan amendment	20,352	-
Change in actuarial assumption	(433,896)	991,764
Benefits accumulated and experience gain or loss	1,179,686	1,499,226
Interest due to decrease in discount period	6,200,291	5,921,958
Benefits paid	(4,485,083)	(4,587,698)
Operational expenses paid	(229,322)	(233,848)
Net increase (decrease)	<u>2,252,028</u>	<u>3,591,402</u>
<b><u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR</u></b>	<b><u>\$ 82,255,788</u></b>	<b><u>\$ 80,003,760</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, 2019, 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, 2019, attributed to hours worked prior to January 1, 2020, have been reflected as contributions due from employers as of December 31, 2019 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, 2018 and 2017. 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, 2018 and 2017 were (a) life expectancy of participants (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 and 105% of the RP-2014 Blue Collar Mortality Tables for Employees and Healthy Annuitants adjusted backward to 2006 with the MP-2014 Projection Scale and projected forward using the MP-2017 Projection Scale was used for 2018 and 115% of RP-2014 Blue Collar Mortality Tables for 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 2017), (b) retirement age assumptions (the assumed average retirement age is based on a graduated scale depending on retirement probabilities) and (c) investment return. The 2018 and 2017 valuations included the assumed average rate of return of 7.75%. The administrative expenses associated with providing benefits were assumed at \$240,000 for 2018 and 2017. 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, 2019 and 2018 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, 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>			

Fair Value Measurements at December 31, 2018

	<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	\$ 13,175,636	\$ 13,175,636	\$ -	\$ -
Real estate investment funds	6,945,334	-	6,945,334	-
Mutual funds	<u>28,173,545</u>	<u>28,173,545</u>	<u>-</u>	<u>-</u>
	48,294,515	<u><u>\$ 41,349,181</u></u>	<u><u>\$ 6,945,334</u></u>	<u><u>\$ -</u></u>
Investment measured at NAV:				
Common collective trusts	4,588,685			
Hedge fund of funds	5,379,585			
Limited partnerships	<u>4,382,465</u>			
Total	<u><u>\$ 62,645,250</u></u>			

**OUTSTATE MICHIGAN TROWEL TRADES PENSION 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	
	December 31,			Frequency, If Eligible	Redemption Notice Period
	2018	2018			
Common collective trust:					
Short Term Investment Fund	1,750,076	696,097	\$ -	Daily	N/A
Martingale Investment Trust Series 1	4,388,230	3,892,588	-	Daily	N/A
Hedge funds of funds					
Entrust Capital Diversified Fund, Ltd	244,056	261,001	-	Monthly	N/A
Entrust Special Opportunities Fund III, Ltd	2,857,442	5,118,584	-	Monthly	N/A
Limited Partnerships:					
Goldman Sachs Vintage VI Manager, L.P.	916,737	1,358,008	951,511	Quarterly	N/A
McMorgan Infrastructure Fund I, L.P.	3,103,614	3,024,457	2,200,952	Quarterly	N/A
	<u>\$13,260,155</u>	<u>\$ 14,350,735</u>	<u>\$ 3,152,463</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, 2019 and 2018, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$7,857,578 and \$(5,064,392), respectively.

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Net appreciation (depreciation) in fair value:		
Common stocks	\$ 2,209,713	\$ (1,696,115)
Real estate fund	256,625	267,637
Mutual fund	5,234,563	(3,193,687)
Hedge fund of funds	(1,017,553)	(1,111,193)
Limited partnerships	178,588	754,519
Common collective trusts	<u>995,642</u>	<u>(85,553)</u>
	<u>\$ 7,857,578</u>	<u>\$ (5,064,392)</u>

The following is a comparison of cost to market value of investments other than cash at December 31, 2019:

	<u>Market Value</u>	<u>Cost</u>	<u>Market Value Over (Under)</u>
Common stocks	\$ 7,079,338	\$ 6,019,555	\$ 1,059,783
Real estate funds	7,373,450	5,729,975	1,643,475
Common collective trusts	6,138,306	4,417,133	1,721,173
Mutual funds	42,546,171	36,069,672	6,476,499
Hedge fund of funds	3,101,498	2,723,734	377,764
Limited partnerships	<u>4,020,351</u>	<u>2,198,371</u>	<u>1,821,980</u>
	<u>\$ 70,259,114</u>	<u>\$ 57,158,440</u>	<u>\$ 13,100,674</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,

	2019	2018
Investment income (loss):		
Interest and dividends	\$ 1,457,218	\$ 1,238,195
Class action settlement	4,386	6,110
Net appreciation (depreciation) in fair value of investments	7,857,578	(5,064,392)
	9,319,182	(3,820,087)
Less – investment expense	302,362	316,668
	\$ 9,016,820	\$ (4,136,755)

**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, 2019, 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, 2016.

**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: Plan Amendment**

Effective October 1, 2018, the Plan was amended as follows:

- A pre-retirement single sum death benefit payable following the death of an inactive vested participant was added to the Plan, payable immediately to the beneficiary at 50% of contributions.

**Note Q: Subsequent Events**

The date to which events occurring after December 31, 2019, 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 18, 2020, 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 18, 2020

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2019

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 STOCKS</b>					
	Actuant Corp	6,200	Common stock	\$ 142,384	\$ 161,386
	Affiliated Managers Group Inc	1,850	Common stock	163,903	156,769
	Artisan Partners Asset Mgmt Inc	3,500	Common stock	107,884	113,120
	Broadridge Financial Solutions Inc	1,000	Common stock	45,265	123,540
	Brown & Brown Inc	4,700	Common stock	76,144	185,556
	CDK Global Inc	4,300	Common stock	231,626	235,124
	C H Robinson Worldwide Inc	1,700	Common stock	107,910	132,940
	Change Healthcare Inc	6,000	Common stock	77,505	98,340
	Graco Inc	600	Common stock	13,741	31,200
	Hillenbrand Inc	3,554	Common stock	107,969	118,384
	IAA Spinco Inc	450	Common stock	13,166	21,177
	LPL Financial Hldgs Inc	1,800	Common stock	49,098	166,050
	Landstar System Inc	900	Common stock	58,654	102,483
	Legg Mason Inc	5,700	Common stock	195,016	204,687
	Matthews Intl Corp	3,000	Common stock	144,146	114,510
	Molson Coors Brewing Co	2,700	Common stock	150,201	145,530
	Post Holdings Inc	1,000	Common stock	53,956	109,100
	Sabre Corp	232	Common stock	4,560	5,206
	Stericycle Inc	4,300	Common stock	240,385	274,383
	Waters Corp	300	Common stock	35,292	70,095
	Western Union Co	10,400	Common stock	185,412	278,512
	Wiley John & Sons Inc	3,000	Common stock	149,467	145,560
	Nielsen Holdings	12,500	Common stock	324,428	253,750
	Willis Towers Watson	1,150	Common stock	133,600	232,231
	Amerco Inc	291	Common stock	106,313	109,364
	Aramark Hldgs Corp	1,947	Common stock	68,489	84,500
	Arconic Inc	2,850	Common stock	61,555	87,695
	Avista Corp	1,550	Common stock	67,718	74,540
	BOK Finl Corp	1,039	Common stock	82,890	90,809
	Carlisle Companies Inc	365	Common stock	36,769	59,072
	Cerner Corp	710	Common stock	36,279	52,107
	Citizens Finl Group Inc	3,092	Common stock	95,167	125,566
	Citrix Sys Inc	740	Common stock	75,076	82,066
	Cognizant Technology Solutions	1,680	Common stock	101,349	104,194
	Discovery Communications Inc	3,624	Common stock	96,564	118,650
	Ebay Inc	1,950	Common stock	64,387	70,415
	Encompass Health Corp	1,595	Common stock	82,441	110,486
	Expedia Inc	995	Common stock	115,600	107,599
	FNF Group	1,500	Common stock	54,780	68,025
	Fifth Third Bancorp	2,370	Common stock	49,523	72,854
	Hanesbrands Inc	5,760	Common stock	85,218	85,536

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2019

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 STOCKS - Continued</b>					
	Ingredion Inc	1,380	Common stock	156,814	128,270
	Interpublic Group Cos Inc	4,430	Common stock	93,975	102,332
	Jones Lang LaSalle Inc	610	Common stock	82,460	106,195
	LKQ Corp	2,600	Common stock	74,210	92,820
	Loews Corp	1,570	Common stock	76,136	82,409
	Masco Corp	1,240	Common stock	46,243	59,508
	National Oilwell Varco Inc	4,820	Common stock	135,135	120,740
	Northern Trust Corp	780	Common stock	54,370	82,867
	Pioneer Natural Resources Co	765	Common stock	91,465	115,798
	Signature Bank	755	Common stock	86,854	103,140
	Snap On Inc	675	Common stock	101,149	114,345
	Thor Ind Inc	1,490	Common stock	85,757	110,691
	UGI Corp	2,180	Common stock	104,999	98,449
	Universal Health Services Inc	389	Common stock	44,994	55,806
	Vistra Energy Corp	4,690	Common stock	99,595	107,823
	Axalta Coating Systems	2,720	Common stock	77,858	82,688
	Invesco	6,480	Common stock	172,110	116,510
	White Mountains Insurance	114	Common stock	81,173	127,168
	Ryman Hospitality Pptys Inc	957	Common stock	56,495	82,934
	Ventas Inc	1,540	Common stock	88,866	88,920
	Weyerhaeuser Co	3,868	Common stock	117,067	116,814
	<b>TOTAL COMMON STOCKS</b>			<u>6,019,555</u>	<u>7,079,338</u>
<b>LIMITED PARTNERSHIPS</b>					
	Goldman Sachs	5,866	Vintage VI Mgr, L.P.	5,866	916,737
	McMorgan & Company	2,192,505	McMorgan Infrastructure Fund, I L.P.	2,192,505	3,103,614
	<b>TOTAL LIMITED PARTNERSHIPS</b>			<u>2,198,371</u>	<u>4,020,351</u>
<b>REAL ESTATE FUNDS</b>					
	Reef of America REIT II	57,895	Real Estate Investment Fund	5,729,975	7,373,450



OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT  
EIN 38-6222545 Plan No. 001  
December 31, 2019

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 COLLECTIVE TRUSTS</b>					
	Comerica Bank	1,750,076	Goldman Sachs Financial Square Funds	1,750,076	1,750,076
	Martingale Investment Trust	198,787	Martingale Investment Trust Series 1	2,667,057	4,388,230
	<b>TOTAL COMMON COLLECTIVE TRUSTS</b>			<b>4,417,133</b>	<b>6,138,306</b>
<b>103-12 INVESTMENT ENTITY</b>					
	Brandywine Asset Management	58,859	Global Fixed Income & Business Investment Trust	1,325,165	2,716,035
<b>MUTUAL FUNDS</b>					
	Baird	791,280	Aggregate Bond Fund	8,532,998	8,870,246
	Nuveen	144,812	Symphony Floating-I	2,849,835	2,763,015
	Vanguard	443,668	FTSE Developed ETF DeV Mkt Indx	5,864,048	6,273,464
	Vanguard	52,388	Inst Index Fund	12,179,576	15,204,561
	Copper Rock International	167,507	Small Cap Fund	2,818,050	3,323,478
	Lazard	251,509	Collective Inv Funds - Equity	2,500,000	3,395,372
	<b>TOTAL MUTUAL FUND</b>			<b>34,744,507</b>	<b>39,830,136</b>
<b>HEDGE FUNDS</b>					
	Entrust Capital	22,214	Entrust Capital Diversified Fund Ltd	22,214	244,056
	Entrust Capital	2,701,520	Entrust Special Opportunities Fund III Ltd	2,701,520	2,857,442
	<b>TOTAL HEDGE FUNDS</b>			<b>2,723,734</b>	<b>3,101,498</b>
<b>TOTAL ASSETS HELD FOR INVESTMENT</b>				<b>\$ 57,158,440</b>	<b>\$ 70,259,114</b>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND  
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS  
EIN 38-6222545 Plan No. 001  
Year Ended December 31, 2019

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 338 Purchases 108 Sales	11,662,487				11,662,487 10,608,890	11,662,487 10,608,890	-
Comerica	Vanguard Inst Index Fund 10 Purchases	7,807,847				7,807,847	7,807,847	

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