

**WESTERN CONFERENCE OF TEAMSTERS
PENSION PLAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION DECEMBER 31, 2016 AND 2015

CONTENTS

Independent Auditors' Report.....	1
Statements of Net Assets Available for Benefits.....	3
Statements of Changes in Net Assets Available for Benefits.....	4
Notes to Financial Statements.....	5
Additional Information	
Independent Auditors' Report on Additional Information.....	34
Schedules of Administrative Expenses.....	35



INDEPENDENT AUDITORS' REPORT

To the Participants and Trustees of
Western Conference of Teamsters Pension Plan

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Western Conference of Teamsters Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015; the related statements of changes in net assets available for benefits for the years then ended; and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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, which 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.

AUDITORS' 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 audits 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 auditors' 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 auditors consider 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

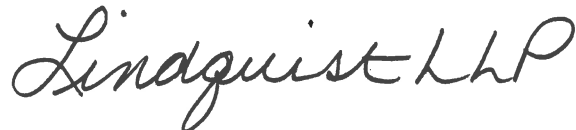
To the Participants and Trustees of
Western Conference of Teamsters Pension Plan
Page two

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Western Conference of Teamsters Pension Plan's net assets available for benefits as of December 31, 2016, and changes therein for the year then ended and its financial status as of December 31, 2015, and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, reading "Lindquist LLP". The signature is written in a cursive, flowing style with a large initial 'L'.

September 7, 2017

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
INVESTMENTS - at fair value		
103-12 investment entities	\$ 1,212,766,405	\$ 1,109,910,278
Cash and cash equivalents	1,563,402,366	1,346,587,477
Common/collective trusts	10,468,298,611	9,860,936,285
Corporate debt securities	2,585,886,422	2,571,928,581
Equity securities	4,369,704,637	4,018,184,458
Insurance company contracts	8,523,995,898	8,692,237,129
Limited partnerships	4,419,988,859	4,492,561,658
Mutual fund	364,395,113	335,181,811
Other private equity	1,407,654,235	1,052,481,100
Pooled separate account	51,901,290	50,444,287
Real estate	1,246,343,826	1,165,539,150
U.S. Government and Government Agency obligations	472,209,855	459,131,500
	<u>36,686,547,517</u>	<u>35,155,123,714</u>
Securities on loan		
Corporate debt securities	20,443,658	16,452,486
Equity securities	622,904,040	433,281,035
Insurance company contracts	2,028,569,161	1,893,313,564
U.S. Government and Government Agency obligations	71,325,577	90,589,889
	<u>2,743,242,436</u>	<u>2,433,636,974</u>
Fair value of collateral held for securities on loan	2,688,322,464	2,376,430,442
Total investments	<u>42,118,112,417</u>	<u>39,965,191,130</u>
RECEIVABLES		
Due from broker for securities sold	164,211,831	149,527,181
Contributions due from employers - net	133,800,000	124,139,064
Withdrawal liability receivable - net	15,000,000	37,000,000
Accrued investment income	61,509,096	65,282,119
Swaps receivable from counterparties	6,270,065	610,936
Forward foreign currency contracts	12,223,624	54,364
Total receivables	<u>393,014,616</u>	<u>376,613,664</u>
OTHER ASSETS	<u>3,963,987</u>	<u>3,523,570</u>
CASH	<u>8,040,747</u>	<u>6,723,956</u>
Total assets	<u>42,523,131,767</u>	<u>40,352,052,320</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability to return collateral held for securities on loan	2,799,861,122	2,488,327,032
Securities sold, not yet purchased	1,256,893,053	1,257,329,393
Due to broker for securities purchased	384,834,418	234,355,116
Accounts payable and accrued expenses	22,906,772	26,837,452
Swaps payable to counterparties	7,422	3,312,168
Forward foreign currency contracts	11,560,775	56,959
Total liabilities	<u>4,476,063,562</u>	<u>4,010,218,120</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 38,047,068,205</u>	<u>\$ 36,341,834,200</u>

See accompanying notes to financial statements.

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Investment income		
Interest, dividends and other investment income	\$ 779,041,846	\$ 903,176,195
Net appreciation (depreciation) in fair value of investments	2,216,461,074	(61,011,838)
Net appreciation (depreciation) in fair value of collateral held for securities on loan	<u>357,932</u>	<u>(13,612,586)</u>
	2,995,860,852	828,551,771
Less investment expenses	<u>(198,690,207)</u>	<u>(167,383,031)</u>
Investment income - net	2,797,170,645	661,168,740
Employer contributions	1,672,814,194	1,577,395,872
Employer withdrawal liability income	10,742,250	55,999,045
Other income	<u>255,832</u>	<u>4,538,098</u>
Total additions	<u>4,480,982,921</u>	<u>2,299,101,755</u>
DEDUCTIONS		
Pension benefits	2,673,830,481	2,598,765,577
Administrative expenses	98,840,568	93,896,717
Income tax expense	<u>287,999</u>	<u>3,801,645</u>
Total deductions	<u>2,772,959,048</u>	<u>2,696,463,939</u>
NET CHANGE	1,708,023,873	(397,362,184)
TRANSFER OF ASSETS TO UNRELATED PLAN	(2,789,868)	-
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	36,341,834,200	36,739,196,384
End of year	<u>\$ 38,047,068,205</u>	<u>\$ 36,341,834,200</u>

See accompanying notes to financial statements.

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation, Transactions and Income Recognition -

General - Investments are carried at fair value, which is determined, presented and disclosed in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, *Fair Value Measurements and Disclosures*. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Plan. Unobservable inputs reflect the Plan's assumptions about inputs that market participants would use in pricing the investments developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels, based on the inputs, as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active, quoted prices for similar investments in active markets or model-based valuations for which all significant assumptions are observable and can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs that are supported by little or no market activity and are significant to the overall fair value measurement. Values are determined using proprietary pricing

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

models, discounted cash flow models that include the investment entities' own judgments and estimations, or some other pricing method using unobservable inputs.

Inputs and Valuation Methods - In determining fair value, FASB ASC 820 allows various valuation approaches. The specific methods used for each of the Plan's investment classes are presented below.

103-12 investment entities: 103-12 investment entities are valued based on the net asset values and have been determined based on the unit values of the funds, which are determined by dividing the funds' net assets at fair value by the units outstanding at the valuation date. The net asset value is being used as a practical expedient to estimate fair value.

Cash and cash equivalents: The value of temporary cash held in short-term investment funds is based on quoted prices for similar assets in active markets (Level 2). Temporary cash held in banks is valued at cost, which approximates fair value (Level 1).

Common/collective trusts: Common/collective trusts hold investments in domestic and foreign equity securities, debt securities, and units in other affiliated and unaffiliated commingled trusts. The underlying assets may be valued based on quoted market prices, independent pricing services or by dealers making a market for certain securities. The unit values of the common/collective trusts are determined by dividing the underlying net asset values (assets less liabilities) by the outstanding number of units. The net asset value is being used as a practical expedient to estimate fair value.

Corporate debt securities: The fair value of corporate debt securities is generally determined based on a model that uses inputs such as interest-rate yield curves, which are similar to the valued obligations in terms of issuer, maturity and seniority (Level 2). The fair value of illiquid corporate debt securities is determined based on internally developed inputs (Level 3).

Equity securities: The fair value of common stock is generally based on quoted market prices in active markets (Level 1).

Futures contracts and options: Futures contracts and options that are publicly traded in active markets are valued at closing prices as of the last business day of the year (Level 1). Other futures contracts and options are valued at their fair value, as determined in good faith in accordance with the procedures adopted by the investment manager. Such procedures include obtaining quotes from pricing agents and utilizing pricing models based on available market data (Level 2).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Insurance company contracts: The insurance company contracts consist of investments of various types, including U.S. Government and Government Agency obligations, corporate debt securities, cash and cash equivalents, real estate, pooled separate accounts, mortgages and unallocated insurance contracts. The insurance company contract investments in corporate debt securities and U.S. Government and Government Agency obligations are valued as described in the sections of this footnote entitled *Corporate debt securities* and *U.S. Government and Government Agency obligations*.

Limited partnerships (private equity) and other private equity: Limited partnerships and other private equity funds are valued using net asset value, which approximates fair value. Net asset value of these funds is based on the underlying assets' fair values, which include a combination of quoted market prices and estimated fair values determined by the general partners and managers of the other private equity funds using the most recent net asset values or capital account information available, independent appraisals, significant judgments, and various mathematical models and methodologies. The net asset value is being used as a practical expedient to estimate fair value.

Mutual fund: The fair value of the mutual fund is generally based on quoted prices in active markets (Level 1).

Pooled separate accounts (insurance company contracts): Investments in the Temporary Investment Account are stated at the principal amount invested plus income earned. Investments in the Union Mortgage Account, which is composed primarily of mortgage loans on income-producing commercial properties, are valued at estimated fair value using Prudential's Asset Liability Pricing System (ALPS). The estimated fair value of the mortgages may be adjusted for such factors as contractual prepayment options or losses in the fair value of the underlying real estate. The credit quality ratings are reviewed annually and are monitored by the portfolio manager throughout the year for events that could affect the quality of the mortgages. The underlying investments in PRISA and PRISA II real estate accounts are valued at estimated fair value based upon property appraisals prepared by independent real estate appraisers. The investment debt on acquired real estate is reported at estimated fair value, which is determined using the discounted cash flow method. The net asset value is being used as a practical expedient to estimate fair value.

Pooled separate account (other): Investments in the pooled separate account consist primarily of pooled first-mortgage loans secured by institutional-grade properties throughout the United States. The fair value of each mortgage loan is established monthly by the investment manager as the present value of future mortgage payments due thereunder. The interest rate used to calculate the present value is determined by management as the market interest rate for the current month applicable to each loan after considering the market for comparable mortgage investments including such considerations as the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

loan's remaining life, call features, quality, geographic location and other pertinent information. The net asset value is being used as a practical expedient to estimate fair value.

Real estate (insurance company contracts): Investments in the Western Conference of Teamsters Separate Account (WCOT) are valued at the estimated fair value based upon property appraisals prepared by independent real estate appraisers. The investment debt on acquired real estate is reported at estimated fair value, which is determined using the discounted cash flow method (Level 3).

Real estate (other): Investments in real estate accounts are valued at estimated fair value based on appraisal reports prepared by independent real estate appraisers and/or the account's investment manager (Level 3).

Swap agreements: Swap agreements are recorded on the contract date. Amounts payable or receivable under the swap agreements are included on a net basis as a receivable from or payable to the swap counterparty on the statements of net assets available for benefits. Because no market quotations are readily available, swap agreements are valued at estimated fair value, as determined by the investment manager, utilizing pricing models based on available market data (Level 2).

Unallocated insurance contracts: Investments in the Prudential Fixed-Dollar Account are stated at the principal amount invested plus income earned (Level 2).

U.S. Government and Government Agency obligations: The fair value of U.S. Government and Government Agency obligations is generally based on quoted market prices in active markets (Level 1). When quoted prices are not available, valuation is determined using a market-based model in which valuation consideration is given to yield or price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices (Level 2).

Collateral held for securities on loan: Cash collateral for securities on loan with the custodial bank has been reinvested in various types of debt securities for which values are determined using a model-based approach. Cash collateral for securities on loan through Prudential have been reinvested in the Prudential Core Investments Fund - Short-Term Bond Account (Level 2).

Valuation Methods, Consistency - The valuation techniques used in the accompanying financial statements have been consistently applied.

Transactions and Income Recognition - 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Pronouncements - In May 2015, FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820); Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*. The ASU removes the requirement to categorize investments measured at fair value using net asset value (NAV) as a practical expedient within the fair value hierarchy. The Plan adopted the provisions of ASU 2015-07 for the year ended December 31, 2015. The ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Plan's management elected to adopt ASU 2015-07 early.

In July 2015, FASB issued Accounting Standards Update (ASU) 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965) (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*, to reduce complexity in employee benefit plan accounting. The Plan adopted the provisions of ASU 2015-12 Part II for the year ended December 31, 2015. Parts I and III are not applicable to the Plan. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan's management elected to adopt Part II early.

The primary provisions of Part II that are applicable to the Plan are: (1) Disclosure of individual investments that represent five percent or more of net assets available for benefits is no longer required; (2) The net appreciation or depreciation in investments is presented in the aggregate, but will no longer be required to be disaggregated and disclosed by general type; (3) Investments will be grouped only by general type, eliminating the need to disaggregate the investments by nature, characteristics and risks; and (4) If an investment is measured at net asset value (or its equivalent) and that investment is in a fund that files a U.S. Department of Labor Form 5500, *Annual Return/Report of Employee Benefit Plan*, as a direct filing entity, disclosure of that investment's strategy will no longer be required.

Contributions Receivable - Employer contributions due and not paid prior to the year-end are recorded as employer contributions receivable. Allowance for uncollectible accounts is considered unnecessary and is not provided. Contributions due as a result of payroll audits have been recorded net of an allowance equal to the amount due because collectability is uncertain. Therefore, delinquent contributions are recorded when received.

Withdrawal Contributions Income and Receivable - Withdrawal contributions income is recognized when the withdrawal liability amount has been assessed. An allowance for uncollectible accounts is deemed necessary because collectability is uncertain due to the poor financial condition of some withdrawing employers. The allowance for uncollectible accounts as of December 31, 2016 and 2015, totaled approximately \$55.2 million and \$50.7 million, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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's provisions to the service that participants have rendered. Accumulated Plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of participants who have died, and (c) present active participants or their beneficiaries.

Equipment and Other Fixed Assets - The Plan's computer equipment and other fixed assets are recorded at cost. Furniture and computer equipment are depreciated using the straight-line method. Internally developed software is amortized using the straight-line method. Enhancements to internally developed software that result in additional functionality are capitalized.

Depreciation and amortization is calculated using the following estimated useful lives:

Furniture	7 years
Computer equipment	3 years
Internally developed software	10 years

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, totaled \$436,625 and \$366,834, respectively.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties - The actuarial present value of accumulated Plan benefits is calculated based on certain assumptions pertaining to interest rates, participant demographics and other assumptions, all of which are subject to change. Due to the inherent uncertainty of the assumption process, it is at least reasonably possible that changes in these assumptions in the near term would be material to the disclosure to the financial statements of the actuarial present value of accumulated Plan benefits.

The Plan invests in various investment securities, including private equity, infrastructure, real estate and other real assets. Such investments are exposed to various risks, such as interest rate, market, liquidity, credit and fluctuations in commodities prices.

- Interest rate risk arises when the changes in interest rates affect future cash flows or the fair value of financial instruments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Market risk is the risk that the fair value of future cash flows of the underlying investments will fluctuate because of the exchanges in market prices.
- Liquidity risk is the risk that the investments may not be able to generate sufficient cash resources to settle their obligations as they come due.
- Credit risk is the potential loss to the investment securities if counterparties fail to perform pursuant to the terms of their obligations.

Due to the level of risk associated with certain investments and the level of uncertainty with respect to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the Western Conference of Teamsters Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Summary Plan Description for complete information.

General - The Plan was established pursuant to the Western Conference of Teamsters Pension Agreement and Declaration of Trust dated April 26, 1955, to provide and maintain retirement, death and termination benefits for employees in collective bargaining units represented by local unions affiliated with the Western Conference of Teamsters. The Plan defines the retirement, death and termination benefits to be provided; the conditions of eligibility for those benefits; the terms of payment; and other necessary or appropriate items. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Board of Trustees - The Plan is administered by a Board of Trustees (the Trustees) composed of 13 union trustees and 13 employer trustees. The Trustees are selected from the various geographic areas served by the Plan.

Plan Administration - The Trustees have engaged a third-party administrator to perform administrative and managerial functions for the Plan and to implement the policies of the Trustees. The Trustees have also contracted with the third-party administrator for services relating to the testing of contributing employers' records. The purpose of the testing is to determine that the proper amount of contributions has been remitted to the Plan. The fees for these services are included in the Administrative Offices expense.

NOTE 2. DESCRIPTION OF THE PLAN (CONT'D)

Insurance Company - The Plan is party to two group annuity contracts with Prudential Insurance Company of America (Prudential): one is a participating annuity contract (GA-8216); the other is an investment-only contract (GA-8217) (see Note 12). Benefit payments and administrative services are provided under both contracts.

Vesting - Participants become vested when they have completed (1) five years of service if at least one year of service was after 1990, or (2) ten years of service if all years of service were before 1991. A participant earns a year of service when they work 500 covered hours in a Plan year. Special vesting rules apply to participants working as seasonal employees in the food processing industry, participants over the age of 52 who enter the plan as part of a new group, active participants over the age of 65 and participants working in non-covered employment at a contributing employer. Benefits earned by a non-vested participant may be permanently forfeited under certain circumstances.

Retirement Benefits - The Plan's normal retirement benefits are determined using a two-step defined benefit formula.

The first formula is the five-year-average benefit formula. This formula is used to determine an eligible participant's retirement benefits for service before 1987. Under this formula, monthly retirement benefits are based on the length of a participant's service and the rate of employer contributions payable for the participant's last five years of service. Although service after 1986 is not recognized for this formula, employer contribution rates payable on behalf of active participants through the end of 1991 are recognized in determining retirement benefits.

The second formula is the contribution-account benefit formula. This formula is used to determine an eligible participant's retirement benefits for contributory service after 1986 and, if the participant is first covered by the Plan after 1986, for non-contributory service when applicable. Under this formula, monthly retirement benefits are based on a percentage of total employer contributions payable for all of the participant's non-forfeited service after 1986.

Beginning in 2009, the benefit accrual rates were reduced to 1.20% for all participants, regardless of years of service.

Early Retirement Benefits - The three conditions for early retirement benefits eligibility are that a participant:

- be a vested participant,

NOTE 2. DESCRIPTION OF THE PLAN (CONT'D)

- has reached the earliest retirement date, and
- has retired from employment.

The Plan allows certain eligible participants to retire early and receive a retirement benefit equal to 100% of the normal retirement benefit. The subsidized early retirement benefits provided under the Plan are subject to payment of increased contribution surcharges under the Program for Enhanced Early Retirement (PEER).

Disability Retirement Benefits - To be eligible for disability retirement benefits, a participant must:

- be vested or an age pensioner,
- meet the recent coverage requirement,
- be receiving disability insurance benefits under the Federal Social Security Act,
- be under age 65 when meeting the first three conditions, and
- remain continuously disabled from the disability onset date to the date of meeting the first three conditions.

Participants eligible for disability retirement benefits receive a benefit in the amount of the early retirement benefit, if eligible, but no less than 85% of their normal retirement benefit.

Other Benefits - Surviving spouses and children are entitled to monthly survivor benefits under certain conditions. Also, beneficiaries of retired and non-retired participants are entitled to death benefits under certain conditions, as determined under the Plan.

NOTE 3. PRIORITIES UPON TERMINATION

It is the intent of the Trustees to continue the Plan in full force and effect; however, the right to discontinue the Plan is reserved to the Trustees. Termination shall not permit any part of the Plan assets to be used for, or diverted to, purposes other than the exclusive benefit of the pensioners, beneficiaries and participants. In the event of termination, the net assets of the Plan will be allocated to pay benefits in priorities as prescribed by ERISA and its related regulations. Whether or not a particular participant will receive full benefits should the Plan terminate at some future time will depend on the sufficiency of the Plan's net assets at that time and the priority of those benefits.

Certain benefits under the Plan are guaranteed by Prudential (see Note 12). In addition, certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees most vested normal-age retirement benefits, early retirement benefits, and

NOTE 3. PRIORITIES UPON TERMINATION (CONT'D)

certain disability and survivor's pensions. The PBGC does not guarantee all types of benefits, and the amount of any individual participant's benefit protection is subject to certain limitations, particularly with respect to benefit increases as a result of Plan amendments in effect for less than five years. Some benefits may be fully or partially provided, while other benefits may not be provided at all.

NOTE 4. TAX STATUS

The Plan obtained its latest determination letter, dated June 30, 2015, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements under Section 401(a) of the Internal Revenue Code and was, therefore, exempt from federal income taxes under the provisions of Section 501(a). The Plan has been amended since receiving the determination letter. However, the Trustees and the Plan's counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate the tax positions taken by the Plan and to recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2016, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan believes it is no longer subject to income tax examinations for the fiscal years prior to 2013.

The Plan is invested in certain investment funds that generate unrelated business taxable income (UBTI) and alternative minimum tax (AMT). The Plan is required to file an annual tax return with the Internal Revenue Service and the applicable states and to pay federal and state income tax on the UBTI/AMT. For the years ended December 31, 2016 and 2015, the federal AMT and state UBTI taxes paid were \$287,999 and \$3,801,645, respectively. As of the end of 2016, the Plan had approximately \$98.5 million in UBTI loss carryforwards to be utilized in the future. UBTI loss carryforwards generally can be carried forward up to 20 years. A deferred tax asset relating to the accumulated loss carryforward of approximately \$39.0 million has been recorded, less a 100% valuation allowance. The valuation allowance is based on all available evidence that the deferred tax asset will not be realized due to the uncertain nature of the UBTI being generated on an annual basis. As of the date of this report, the potential tax expense for 2016 is unknown because the investment entities that may generate UBTI/AMT have not yet reported their results for 2016.

NOTE 5. FUNDING POLICY

The Trust Agreement provides that the Trustees shall establish and adjust the levels of prospective Plan benefits so that the employer contributions received by the Plan will always meet the minimum funding standards of Section 302 of ERISA and Section 412 of the Internal Revenue Code of 1986. The Trustees have established a funding policy that specifies funding targets that may result in more rapid funding than prescribed by the minimum funding standards and that provides for benefit adjustments based on specified funding targets.

Employer contributions are determined from employment hours reported by participating employers and the contractual employer contribution rates in effect.

The Plan's actuary has advised that the minimum funding requirements of ERISA are being met as of January 1, 2016 and 2015.

NOTE 6. MAJOR EMPLOYER

During each of the years ended December 31, 2016 and 2015, approximately 42% and 41%, respectively, of contributions were received from one employer.

NOTE 7. ACTUARIAL INFORMATION

The actuarial present value of accumulated Plan benefits as determined by the Plan's actuary as of December 31, 2015, is as follows:

Actuarial present value of accumulated Plan benefits	<u>In Thousands</u>
Vested benefits	
Participants currently receiving payments	\$ 23,282,149
Other participants	<u>15,952,028</u>
Total vested benefits	39,234,177
Non-vested benefits	<u>1,840,022</u>
Total actuarial present value of accumulated Plan benefits	<u>\$ 41,074,199</u>

NOTE 7. ACTUARIAL INFORMATION (CONT'D)

The actuarial present value of accumulated Plan benefits as determined by the Plan's actuary as of December 31, 2015, is as follows:

	<u>In Thousands</u>
Actuarial present value of accumulated Plan benefits at beginning of year	<u>\$ 40,167,611</u>
Increase (decrease) during the year attributable to:	
Benefits accumulated	755,663
Actuarial (gain)/loss	(985)
Plan amendments	2,107
Interest	2,717,251
Benefits paid	(2,598,766)
Change in actuarial assumptions	<u>31,318</u>
Net change	<u>906,588</u>
Actuarial present value of accumulated Plan benefits at end of year	<u>\$ 41,074,199</u>

NOTE 7. ACTUARIAL INFORMATION (CONT'D)

The method used in the valuation was the unit-credit actuarial cost method. The significant actuarial assumptions used are as follows:

Assumed rates of return on investments and the rates used to discount liabilities specially backed by dedicated asset investments:

Fixed-Dollar Account: 6.5%.

82/84 Annuity Account: 8.41% (2016); 5.87% (2015).

Strategic Bond Account: 4.69% (2016); 4.88% (2015).

Assumed rates of return on remaining investments and the rates used to discount remaining liabilities: 7.00%, net of investment expenses.

Expenses: \$97 million.

Rates of age retirements: Tables developed from Plan experience based on years of service, eligibility for PEER and other factors.

Rates of employee terminations: Tables developed from Plan experience based on separate rates for non-seasonal and seasonal employees.

Rates of mortality for retirements: Tables developed from the RP-2000 mortality tables for men and RP-2014 mortality tables for women and adjustment factors modified to reflect Plan experience.

Rates of mortality for disability retirements: Tables developed from Plan experience.

Survivor benefit cost: Family composition tables from the 15th Actuarial Valuation published by the Railroad Retirement Board.

The above 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. Pension benefits in excess of the present assets of the Plan are dependent on contributions received under collective bargaining agreements with employers and on income from investments.

Because information on the accumulated Plan benefits at December 31, 2016, and the changes therein for the year then ended are not included above, these financial statements do not purport to present a complete presentation of the financial status of the Plan as of December 31, 2016, and the changes in its financial status for the year then ended, but only present the net assets available for benefits and the changes

NOTE 7. ACTUARIAL INFORMATION (CONT'D)

therein as of and for the year ended December 31, 2016. The complete financial status is presented as of December 31, 2015.

NOTE 8. INVESTMENTS AT FAIR VALUE HIERARCHY

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2016, are as follows:

Description	December 31, 2016	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets in the fair value hierarchy				
Cash and cash equivalents	\$ 1,563,402,366	\$ 73,501,501	\$ 1,489,900,865	\$ -
Collateral for securities on loan	2,688,322,464	-	2,688,322,464	-
Corporate debt securities	2,606,330,080	-	2,457,262,608	149,067,472
Equity securities	4,992,608,677	4,975,538,615	17,070,062	-
Insurance company contracts				
Cash and cash equivalents	154,759,157	-	154,759,157	-
Corporate debt securities	3,002,922,994	-	3,002,922,994	-
Real estate and mortgages	1,200,053,561	-	28,538,423	1,171,515,138
Unallocated insurance contracts	100,606,689	-	100,606,689	-
U.S. Government and Government Agency obligations	3,337,201,823	-	3,337,201,823	-
Total insurance company contracts	7,795,544,224	-	6,624,029,086	1,171,515,138
Mutual fund	364,395,113	364,395,113	-	-
Real estate	1,246,343,826	-	-	1,246,343,826
U.S. Government and Government Agency obligations	543,535,432	306,265,085	237,270,347	-
Total assets in the fair value hierarchy	21,800,482,182	\$ 5,719,700,314	\$ 13,513,855,432	\$ 2,566,926,436
Investments measured at net asset value				
103-12 investment entities	1,212,766,405			
Common/collective trusts	10,468,298,611			
Insurance company contracts				
Pooled separate accounts	2,757,020,835			
Limited partnerships	4,419,988,859			
Other private equity	1,407,654,235			
Pooled separate account	51,901,290			
Total investments measured at net asset value	20,317,630,235			
Total investments at fair value	\$ 42,118,112,417			

NOTE 8. INVESTMENTS AT FAIR VALUE HIERARCHY (CONT'D)

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at December 31, 2015, are as follows:

Description	December 31, 2015	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets in the fair value hierarchy				
Cash and cash equivalents	\$ 1,346,587,477	\$ 2,722,927	\$ 1,343,864,550	\$ -
Collateral for securities on loan	2,376,430,442	-	2,376,430,442	-
Corporate debt securities	2,588,381,067	-	2,454,576,092	133,804,975
Equity securities	4,451,465,493	4,451,465,493	-	-
Insurance company contracts				
Cash and cash equivalents	143,116,579	-	143,116,579	-
Corporate debt securities	3,348,274,838	-	3,348,274,838	-
Real estate and mortgages	1,497,669,587	-	30,633,767	1,467,035,820
Unallocated insurance contracts	98,162,705	-	98,162,705	-
U.S. Government and Government Agency obligations	3,056,627,092	-	3,056,627,092	-
Total insurance company contracts	8,143,850,801	-	6,676,814,981	1,467,035,820
Mutual fund	335,181,811	335,181,811	-	-
Real estate	1,165,539,150	-	-	1,165,539,150
U.S. Government and Government Agency obligations	549,721,389	285,696,305	264,025,084	-
Total assets in the fair value hierarchy	20,957,157,630	\$ 5,075,066,536	\$ 13,115,711,149	\$ 2,766,379,945
Investments measured at net asset value				
103-12 investment entities	1,109,910,278			
Common/collective trusts	9,860,936,285			
Insurance company contracts				
Pooled separate accounts	2,441,699,892			
Limited partnerships	4,492,561,658			
Other private equity	1,052,481,100			
Pooled separate account	50,444,287			
Total investments measured at net asset value	19,008,033,500			
Total investments at fair value	\$ 39,965,191,130			

NOTE 8. INVESTMENTS AT FAIR VALUE HIERARCHY (CONT'D)

A reconciliation of the activity from the beginning to the end of year for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2016 and 2015, follows. The amount of total gains or losses for the year included in the changes in net assets available for benefits attributable to the unrealized gains or losses of assets still held at year-end is also included.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

<u>December 31, 2016</u>	Insurance Company		Corporate	
	<u>Contracts</u> <u>Real Estate</u>	<u>Real Estate</u>	<u>Debt Securities</u>	<u>Total</u>
Beginning balance	\$ 1,467,035,820	\$ 1,165,539,150	\$ 133,804,975	\$ 2,766,379,945
Total realized/unrealized gains or losses included in changes in net assets	94,831,819	57,423,132	(6,394,545)	145,860,406
Purchases	-	-	61,746,594	61,746,594
Sales, withdrawals and distributions	(453,016,559)	(40,500,000)	(40,089,552)	(533,606,111)
Investment income (net of expenses)	62,664,058	63,881,544	-	126,545,602
Transfers in/out	-	-	-	-
Ending balance	<u>\$ 1,171,515,138</u>	<u>\$ 1,246,343,826</u>	<u>\$ 149,067,472</u>	<u>\$ 2,566,926,436</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date				
	<u>\$ 91,176,325</u>	<u>\$ 57,423,132</u>	<u>\$ 6,191,007</u>	<u>\$ 154,790,464</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

<u>December 31, 2015</u>	Insurance Company		Corporate	
	<u>Contracts</u> <u>Real Estate</u>	<u>Real Estate</u>	<u>Debt Securities</u>	<u>Total</u>
Beginning balance	\$ 1,221,684,076	\$ 1,105,434,794	\$ 126,776,280	\$ 2,453,895,150
Total realized/unrealized gains or losses included in changes in net assets	163,002,026	104,748,409	(20,964,391)	246,786,044
Purchases	50,000,000	49,150,000	84,922,594	184,072,594
Sales, withdrawals and distributions	(40,000,000)	(159,947,369)	(40,333,828)	(240,281,197)
Investment income (net of expenses)	72,349,718	66,153,316	-	138,503,034
Transfers in/out	-	-	(16,595,680)	(16,595,680)
Ending balance	<u>\$ 1,467,035,820</u>	<u>\$ 1,165,539,150</u>	<u>\$ 133,804,975</u>	<u>\$ 2,766,379,945</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date				
	<u>\$ 161,176,467</u>	<u>\$ 121,992,095</u>	<u>\$ (5,729,044)</u>	<u>\$ 277,439,518</u>

NOTE 8. INVESTMENTS AT FAIR VALUE HIERARCHY (CONT'D)

For fair value measurements categorized within Level 3 of the fair value hierarchy, the following table presents quantitative information about the significant unobservable inputs used. This table does not include investments valued at net asset value or its equivalent; refer to Note 11 for the required disclosures for the investments valued at net asset value or its equivalent.

<u>Instrument</u>	<u>Fair Value at December 31, 2016</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Real estate	\$ 2,417,858,964	Appraisals and Discounted Cash Flows	Discount Rates Capitalization Rates Expense Growth Rates	5.50%–11.00% 4.75%–9.50% 3.00%
Corporate debt securities	149,067,472	Discounted Cash Flow Analysis	Hypothetical Market Yield Long Term Growth Rate Discount Rate	8.00%–20.18% 2.00%–3.00% 13.00%–16.00%
		Guideline Company Method	Revenue Multiple EBITDA Multiple Control Premium	0.20x–1.40x 4.25x–13.68x 20.0%
		Guideline Transaction Method	Revenue Multiple EBITDA Multiple Discount Rate	0.34x–1.48x 8.88x–15.70x 13.00%–16.00%
		Black-Scholes Option Model	Volatility	22.00%–33.00%
		Market Value In-Use / NOLV	Discount Rate	11.00%–15.00%
<u>Instrument</u>	<u>Fair Value at December 31, 2015</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Real estate	\$ 2,632,574,970	Appraisals and Discounted Cash Flows	Discount Rates Capitalization Rates Expense Growth Rates	6.00%–10.50% 4.50%–9.50% 3.00%
Corporate debt securities	133,804,975	Discounted Cash Flow Analysis	Discount Rate Perpetual Growth Rate	3.00%–23.34% 2.50%
		Guideline Company Method	Revenue Multiple EBITDA Multiple Control Premium	0.22x–1.50x 2.65x 15.00%–20.00%
		Guideline Transaction Method	Revenue Multiple EBITDA Multiple	0.33x–1.45x 8.42x
		Black-Scholes Option Model	Volatility	18.00%–30.00%

NOTE 9. FINANCIAL INSTRUMENTS

As part of the total investment strategy, and to meet the primary objectives established by the Trustees, several of the Plan's investment managers utilize derivative financial instruments. Risks associated with derivatives vary widely, but generally may be categorized as market risk, credit risk and interest rate risk. Market risk is defined as that risk associated with fluctuations in market price. Credit risk is defined as that risk associated with an entity not paying. Interest rate risk is defined as risk associated with changes in general interest rates or yield curves that could adversely affect the fair value of an investment.

Some of the Plan's investment managers enter into options, warrants and rights, futures, swaps and forward currency exchange contracts. The Plan uses futures, options and swaps for hedging purposes and not on a speculative basis, but the use of these instruments would be considered trading securities for purposes of reporting. The Plan uses futures, swaps and forwards for bona-fide hedging purposes and to manage duration, yield curve, convexity, spread risk and credit risk with portfolios.

In addition, investment managers utilize currency forward transactions to protect or partially protect against fluctuations in exchange rates between countries when purchasing non-dollar issues for the portfolio. These instruments are helpful in eliminating volatility that may be experienced by the portfolio due to changes in exchange rates. By purchasing or selling the proper amount of these instruments, the investment manager is able to capture the underlying value of the foreign security without taking on the additional risk of currency.

An option is a contract that grants the right, but not the obligation, to exercise a specific purchase or sales transaction at a stated exercise price. Warrants and rights are investment instruments similar to options. A futures contract is a standardized agreement between two parties to buy and sell an asset at a set price on a future date. The Plan enters into financial futures contracts solely for the purpose of hedging its existing portfolio securities, or securities the Plan intends to purchase, against fluctuations in fair value caused by changes in prevailing interest rates or as substitutes for cash securities permitted under the relative account guidelines. Upon entering into a financial futures contract, the Plan is required to pledge to the broker an amount in cash, United States government securities or other assets equal to a certain percentage of the contract amounts (initial margin deposit).

Subsequent payments, known as "variation margin," are made or received by the Plan each day, depending on the daily fluctuations in the fair value of the underlying security. The Plan recognizes an unrealized gain or loss equal to the daily variation margin. Should market conditions move unexpectedly, the Plan may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. When the contract is closed, the Plan recognizes a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates, and the underlying hedged assets. The variation margin receivable/payable is included in accrued investment income on the statements of net assets available for benefits.

The Plan has entered into interest rate swap agreements. Through such transactions, the parties agree to pay, on specific dates, either a fixed or floating rate of interest on the contract amount. Risks in these transactions involve both the risk of counterparty nonperformance under the terms of the contract and the risk associated with changes in the market value of the swaps.

The Plan has also entered into foreign currency forward contracts to protect its investments in foreign securities from price declines caused by changes in currency exchange rates. A foreign currency forward contract is a commitment to purchase or sell a foreign currency on a future date at a negotiated forward rate. The gain or loss arising from the difference between the value of the original contracts and the value upon closing such contracts is included in net realized gain or loss on foreign currency transactions. Fluctuations in the value of open foreign currency forward contracts are recorded as unrealized gains and losses.

The Plan may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Plan sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which the short sale was made. A gain, limited to the price at which the Plan sold the security short, or a loss, unlimited in size, will be recognized upon termination of the short sale.

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

Total open contracts and unrealized gain (loss) by category at December 31, 2016, consisted of the following:

<u>Type</u>	<u>Position</u>	<u>Notional/ Contractual Amount</u>	<u>Unrealized Gain (Loss)</u>
Futures			
U.S. Treasury Bond Futures	Long	\$ 2,555,440,650	\$ (2,903,036)
U.S. Treasury Bond Futures	Short	(208,877,537)	(377,051)
Euro Dollar Futures	Short	(6,147,048)	(3,017)
Total futures		<u>\$ 2,340,416,065</u>	<u>\$ (3,283,104)</u>
Swaps			
Interest Rate Swaps	Long	\$ 1,006,724,500	\$ 6,247,408
Interest Rate Swaps	Short	(1,006,724,500)	-
Total swaps		<u>\$ -</u>	<u>\$ 6,247,408</u>
Options			
Interest Rate Swap Call Options	Long	\$ 450,000	\$ -
Interest Rate Swap Call Options	Short	(44,310,000)	231,346
Interest Rate Swap Put Options	Long	12,400,000	-
Interest Rate Swap Put Options	Short	(61,620,000)	70,352
Equity Put Options	Long	12,390,000	(229,374)
Equity Call Options	Long	30,579,600	2,805,381
Equity Call Options	Short	(9,092,300)	44,195
Total options		<u>\$ (59,202,700)</u>	<u>\$ 2,921,902</u>
Forward contracts foreign currency			
Pay JPY/Rec USD			<u>\$ 662,849</u>
Total forward contracts foreign currency			<u>\$ 662,849</u>

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

Total open contracts and unrealized gain (loss) by category at December 31, 2015, consisted of the following:

<u>Type</u>	<u>Position</u>	<u>Notional/ Contractual Amount</u>	<u>Unrealized Gain (Loss)</u>
Futures			
U.S. Treasury Bond Futures	Long	\$ 2,245,680,237	\$ (3,397,992)
U.S. Treasury Bond Futures	Short	(335,896,181)	1,304,826
Euro Dollar Futures	Long	86,339,884	(241,292)
Euro Dollar Futures	Short	(85,688,078)	180,120
Total futures		<u>\$ 1,910,435,862</u>	<u>\$ (2,154,338)</u>
Swaps			
Interest Rate Swaps	Long	\$ 546,747,000	\$ (2,732,343)
Interest Rate Swaps	Short	(546,747,000)	-
Total swaps		<u>\$ -</u>	<u>\$ (2,732,343)</u>
Options			
Interest Rate Swap Call Options	Long	\$ 1,845,350,000	\$ (801,141)
Interest Rate Swap Call Options	Short	(1,871,450,000)	(292,789)
Interest Rate Swap Put Options	Long	3,120,000	(96,244)
Interest Rate Swap Put Options	Short	(26,100,000)	377,033
Equity Put Options	Long	6,881,200	1,678,705
Equity Call Options	Long	30,194,400	(36,453)
Equity Call Options	Short	(4,001,600)	1,534,729
Total options		<u>\$ (16,006,000)</u>	<u>\$ 2,363,840</u>
Forward contracts foreign currency			
Pay USD/Rec EUR			<u>\$ 2,595</u>
Total forward contracts foreign currency			<u>\$ 2,595</u>

The accompanying financial statements reflect these unrealized gains and losses, not the gross value or notional amount of the underlying securities. At December 31, 2016 and 2015, approximately \$20,140,000 and \$17,478,000, respectively, had been pledged against the futures contracts to cover the initial margin and collateral requirements.

NOTE 10. SECURITIES LENDING

The Trustees authorized the Plan to enter into securities lending agreements with a custodial bank and Prudential (the Lending Agents) to lend securities to third parties. The Lending Agents must obtain collateral from the borrowers in the form of cash or securities issued or guaranteed by the United States Government or its agencies equal to at least 102% (105% for foreign loans) of the market value of the loaned securities plus accrued income. The market value of the collateral is marked to market daily. Except as noted below, if the market value of the collateral is less than the minimum percentage (100%), the Lending Agents require that additional collateral be delivered the following day to meet the required percentage of the market value of the loaned securities, plus accrued interest. During the time the securities are on loan, the Plan will continue to receive the interest and dividends, or amounts equivalent thereto, on the loaned securities. The right to terminate the loan is given to both the lenders and the borrowers, subject to appropriate notice. Upon termination of the loan, the borrowers will return to the lenders securities identical to the loaned securities and the collateral held by lenders will be returned to the borrowers.

The fair value of the securities on loan is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Securities on loan, at fair value		
Custodial bank	\$ 714,673,275	\$ 540,323,410
Prudential	<u>2,028,569,161</u>	<u>1,893,313,564</u>
Total securities on loan	<u>\$ 2,743,242,436</u>	<u>\$ 2,433,636,974</u>

The Lending Agents are authorized to invest and reinvest any and all cash collateral. Cash collateral may be invested or reinvested in accordance with the investment guidelines set forth in the securities lending agreements. Prudential invested a portion of the cash collateral in the Prudential Core Investment Fund - Short-Term Bond Series Account (Prudential Bond Account), an approved vehicle for reinvested cash collateral. The custodial bank reinvested the cash collateral in a pool of approved securities.

NOTE 10. SECURITIES LENDING (CONT'D)

The liability to return securities lending collateral, unrealized gains (losses) and fair value of collateral are as follows:

<u>As of December 31, 2016</u>	<u>Liability to Return Collateral</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value of Collateral</u>
Collateral for securities on loan			
Custodial bank	\$ 729,857,257	\$ 285,018	\$ 730,142,275
Prudential Bond Account	<u>2,070,003,865</u>	<u>(111,823,676)</u>	<u>1,958,180,189</u>
Total	<u>\$ 2,799,861,122</u>	<u>\$ (111,538,658)</u>	<u>\$ 2,688,322,464</u>
 <u>As of December 31, 2015</u>	 <u>Liability to Return Collateral</u>	 <u>Unrealized Gains (Losses)</u>	 <u>Fair Value of Collateral</u>
Collateral for securities on loan			
Custodial bank	\$ 552,446,613	\$ (125,684)	\$ 552,320,929
Prudential Bond Account	<u>1,935,880,419</u>	<u>(111,770,906)</u>	<u>1,824,109,513</u>
Total	<u>\$ 2,488,327,032</u>	<u>\$ (111,896,590)</u>	<u>\$ 2,376,430,442</u>

As shown on the statements of changes in net assets available for benefits, the unrealized gains/(losses) on the reinvested collateral for the years ended December 31, 2016 and 2015, totaled \$357,932 and \$(13,612,586), respectively.

Although the Plan's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrowers of securities will be unable to collateralize their loan upon a sudden material change in the fair value of the loaned securities or collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts. To minimize risk, the Plan restricts counterparties to the highest quality firms. If a loan of securities is terminated and such securities are returned, the Plan could sustain realized losses on the collateral if it were necessary to liquidate collateral invested in the Prudential Bond Account.

The Plan earned securities lending income (net of fees) totaling approximately \$22,345,000 and \$22,268,000, respectively, for the years ended December 31, 2016 and 2015. These amounts are included in investment income on the statements of changes in net assets available for benefits.

NOTE 11. INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE

The Plan utilizes net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with investment company accounting. The fair value of the following investments was measured using NAV (or its equivalent).

Investment Type	Fair Value at December 31,			Redemption Frequency (if currently eligible)	Redemption Notice Period	Remaining Commitment December 31,	
	2016	2015				2016	2015
103-12 investment entities	\$ 327,243,803	\$ 307,780,194	{a}	Semi-monthly	10 days	\$ -	\$ -
103-12 investment entities	885,522,602	802,130,084	{a}	Monthly	5 days	-	-
Common/collective trusts	7,407,647,214	6,939,320,864	{b}	Daily	None-2 days	-	-
Common/collective trusts	3,060,651,397	2,921,615,421	{b}	Weekly	1-2 days	-	-
Limited partnerships							
Fixed income	26,769,296	23,280,760	{c}	Daily	None required	-	-
Fixed income	53,147,490	131,451,953	{c}	Bi-annually	90 days	-	-
Fixed income	1,021,802,659	833,041,095	{c}	Not permitted	N/A	784,100,000	712,800,000
Infrastructure	558,103,386	622,577,385	{d}	Quarterly	90 days	-	-
Infrastructure	382,030,858	472,580,647	{d}	Semi-annually	90 days	-	-
Infrastructure	233,881,119	243,934,385	{d}	Not permitted	N/A	14,600,000	14,600,000
Private equity	191,961,509	240,253,567	{e}	Quarterly	90 days	-	-
Private equity	1,401,747,068	1,276,834,750	{e}	Not permitted	N/A	991,900,000	771,450,000
Real assets	-	176,495,131	{f}	Monthly	30 days	-	-
Real assets	550,545,474	472,111,985	{f}	Not permitted	N/A	373,000,000	469,300,000
Other private equity							
Fixed income	27,485,616	26,300,949	{g}	Daily	None required	-	-
Fixed income	121,196,533	111,798,199	{g}	Daily	90 days	110,000,000	10,000,000
Fixed income	84,910,035	77,917,128	{g}	Semi-annually	180 days	-	-
Fixed income	179,937,332	204,485,604	{g}	Not permitted	N/A	4,800,000	4,800,000
Private equity	-	65,609,138	{h}	Semi-annually	180 days	-	-
Private equity	-	13,518,607	{h}	3 years	180 days	-	-
Private equity	255,999,903	169,718,792	{h}	Not permitted	N/A	69,300,000	139,900,000
Real estate	176,415,413	125,116,402	{i}	Quarterly	N/A	132,800,000	198,400,000
Real estate	561,709,403	258,016,281	{i}	See {i}	See {i}	39,100,000	77,700,000
Pooled separate accounts	554,143,447	322,988,830	{j}	Daily	15 days	-	-
Pooled separate accounts	516,262,025	494,821,333	{j}	Monthly	30-90 days	-	-
Pooled separate accounts	1,738,516,653	1,674,334,016	{j}	Quarterly	90 days	-	-
	<u>\$ 20,317,630,235</u>	<u>\$ 19,008,033,500</u>					

In addition to the remaining commitments identified above, the Plan has an unfunded commitment to the Western Conference of Teamsters Separate Account (WCOT) real estate holding totaling \$50,000,000 and \$290,600,000 as of December 31, 2016 and 2015, respectively.

**NOTE 11. INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE
(CONT'D)**

- {a} These investments are direct filing entities with the Department of Labor; therefore, information regarding the investments' strategy is not disclosed.
- {b} This class includes investments in common/collective trusts that invest in domestic equities, international equities, commodities and fixed-income securities. The investment managers adopt a strategy in order to track or exceed the following indices: Barclays Capital U.S. Treasury Bellwethers 3-Month Index, S&P 500 Index, Dow Jones U.S. Completion Total Stock Market Index, and MSCI All Country World Index ex-U.S.
- {c} This class of investments consists of limited partnerships that invest in various types of fixed-income securities directly or indirectly through other limited partnerships. The strategies used by the limited partnerships include investments in mezzanine securities, first-lien senior-secured debt, investments in distressed debt, bank loans and distressed residential real estate loans.
- {d} This class of investments consists of three limited partnerships that invest in domestic and international infrastructure-related projects. These investments seek to provide superior returns through various domestic and international infrastructure projects, such as wind farms, wastewater plants, airports and electrical distribution.
- {e} This class of investments consists of limited partnerships that are considered private equity investments. The managers in this class utilize various investment strategies in order to achieve superior returns and capital appreciation. Investments may be made directly by the limited partnership or indirectly through a fund-of-funds investment structure. Strategies utilized by these managers include activist investments, investments in middle-market business, investments in transportation-related companies, and domestic and international equity and equity-related investments.
- {f} This investment class consists of limited partnerships that invest in real assets, including oil and gas-focused investments and commodities. The oil and gas investments include U.S. and international privately negotiated equity and equity-related investments, and investments in known energy-producing, on-shore regions of North America. These investments seek to provide a diverse portfolio of energy and energy-related infrastructure investments. The commodity-focused investment seeks to outperform a simple average of the following four major commodities indices: S&P Goldman Sachs Commodity Total Return Index, DJ UBS Commodity Total Return Index, Reuters/Jefferies Commodity Research Bureau's Total Return Index and Rogers International Commodity Total Return Index.

**NOTE 11. INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE
(CONT'D)**

- {g} This class of investments includes limited liability companies and other private equity funds that focus on fixed-income investments. These funds make direct or indirect investments that seek to generate current income and capital appreciation while minimizing the risk of loss of principal through lending to middle-market companies, commercial lending and high-yield structured finance securities.
- {h} This investment class represents limited liability companies and other private equity investments that focus on real estate ventures, venture capital and corporate finance transactions. The strategy of the real estate venture fund is to acquire, own and manage residential rental real estate, primarily single-family homes, in various major markets in the U.S. The venture capital investments generate capital returns by making direct equity-oriented investments in venture capital companies or investing in limited partnerships that make equity-oriented investments in venture capital companies. These investments can include early-stage investments in businesses still in the conceptual stage, businesses where products may not be fully developed and revenues and/or profits may be several years away, and later-stage venture capital investments in need of additional growth capital. The corporate finance investment seeks to generate capital returns through investing directly or indirectly in management buy-in, management buy-out and leveraged buy-out transactions.
- {i} This class of investments includes two limited liability companies that directly own timber-producing real estate and related assets, or real estate devoted to agricultural use. A request for a partial withdrawal from the timber-related investment may be made at any time, and the investment manager will sell such investments allocated to the Plan's account, as it determines it necessary, to obtain funds for each partial withdrawal.
- {j} The pooled separate accounts maintained by Prudential include holdings in debt securities, mortgage securities and real estate investments. The debt security investment strategy seeks to achieve long-term total return greater than public bond portfolios of comparable credit quality and duration by primarily investing in privately placed corporate debt securities. The mortgage portfolio invests in mortgages on properties constructed with union labor with fixed maturity dates. The real estate accounts invest in diversified equity real estate investments in income-producing properties with potential for capital appreciation, office buildings, retail, hotel and self-storage properties. The real estate accounts target returns similar to the NFI-ODCE Index. The pooled separate account maintained by Union Labor Life Insurance Company include mortgage securities. The mortgage

**NOTE 11. INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE
(CONT'D)**

portfolio invests in mortgages on properties constructed with union labor. The portfolio is benchmarked against the Barclays Capital Aggregate Index (the Index). Target returns may vary because the Index include securities that are SEC registered or unregistered while the portfolio holdings are not publicly traded and the holdings, characteristics and volatility may differ.

NOTE 12. NET ASSETS AVAILABLE FOR BENEFITS

The Plan allocates net assets available for benefits between Retired and Survivor Guaranteed Annuities and certain Non-Guaranteed Benefits for Retirees and Survivors and Future Retirees and Survivors. Effective January 1, 1998, the Plan entered into two insurance company group annuity contracts with Prudential, which superseded the group annuity contract in effect since 1955. Under one contract, Prudential guarantees retirement benefits to a closed group of annuitants and their beneficiaries (Retired and Survivor Guaranteed Annuities). The initial contribution to this contract was \$7.46 billion, representing an amount equal to 105% of the Contract Liability Amount as of the effective date of the contract. This contract will remain in full force and effect until such date that there are no further annuities or other guaranteed payments payable under the contract. The contract will terminate at that time, and the remaining assets held under the contract, if any, less any expenses or other fees, will be transferred back to the general Plan assets. Non-Guaranteed Benefits are covered by the remaining Plan assets, including a second contract that consists of separate investment accounts managed by Prudential. The net assets available for benefits allocated between the Retired and Survivor Guaranteed Annuities and Non-Guaranteed Benefits for Retirees and Survivors and Future Retirees and Survivors are summarized as follows:

	<u>2016</u>	<u>December 31,</u> <u>2015</u>
Retired and Survivor Guaranteed Annuities	\$ 1,717,759,036	\$ 1,967,497,807
Non-Guaranteed Benefits for Retirees and Survivors and Future Retirees and Survivors	<u>36,329,309,169</u>	<u>34,374,336,393</u>
Net assets available for benefits	<u>\$ 38,047,068,205</u>	<u>\$ 36,341,834,200</u>

NOTE 13. EMPLOYER WITHDRAWAL LIABILITY

The Plan complies with the provisions of the Multiemployer Pension Plan Amendment Act of 1980 (MPPAA), which requires imposition of withdrawal liability on a contributing employer that partially or totally withdraws from the Plan. Under the provisions of MPPAA, a portion of the Plan's unfunded vested liability would be allocated to a withdrawing employer. The Plan's actuary has advised the Plan that, as of December 31, 2015, the Plan has an estimated unfunded vested liability of \$3.271 billion for withdrawal liability purposes.

For the years ended December 31, 2016 and 2015, employers who have withdrawn from the Plan have been assessed a withdrawal liability of approximately \$13,800,000 and \$31,800,000, respectively. Due to the poor financial condition of some withdrawing employers, it is likely that the withdrawn employers assessed withdrawal liability will file for bankruptcy, become insolvent, or otherwise default on their withdrawal liability payment obligations. Generally accepted accounting principles state that the amounts assessed against employers withdrawing from the Plan may be recorded as a receivable, net of an allowance for uncollectible amounts. The Trustees of the Plan are concerned that, even with their best efforts at estimating an allowance for uncollectibility, the amount of withdrawal liability that will actually be received may vary significantly. In accordance with the Plan's accounting policy, the Plan has recorded a receivable of \$15,000,000 and \$37,000,000, as of December 31, 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, the Plan recorded approximately \$11,000,000 and \$56,000,000 in withdrawal liability revenue.

NOTE 14. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500. Benefit obligations currently payable represents payments to be issued subsequent to the end of the year for participants whose benefits were approved for payment prior to year-end.

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net assets available for benefits per the financial statements	\$ 38,047,068,205	\$ 36,341,834,200
Benefit obligations currently payable	<u>(6,950,508)</u>	<u>(8,773,330)</u>
Net assets available for benefits per the Form 5500	<u>\$ 38,040,117,697</u>	<u>\$ 36,333,060,870</u>

NOTE 14. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (CONT'D)

The following is a reconciliation of benefits paid to or for participants per the financial statements to the Form 5500 for the year ended December 31, 2016:

Benefits paid to or for participants per the financial statements	\$ 2,673,830,481
Add - amounts currently payable at end of year	6,950,508
Less - amounts currently payable at beginning of year	<u>(8,773,330)</u>
Benefits paid to or for participants per the Form 5500	<u>\$ 2,672,007,659</u>

NOTE 15. TRANSFER OF ASSETS

During the year ended December 31, 2016, the Plan transferred \$2,789,868 to the IAM National Pension Plan (the IAM Plan). The payment represents a transfer required under ERISA Section 4235 of the Plan's nonforfeitable benefit liability to the IAM Plan for certain employees that ceased participating in the Plan and began participating in the IAM Plan as a result of a certified change of collective bargaining representative.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date on which the financial statements were available to be issued. This date is approximately the same as the independent auditors' report date.

ADDITIONAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Participants and Trustees of
Western Conference of Teamsters Pension Plan

We have audited the financial statements of Western Conference of Teamsters Pension Plan (the Plan) for the years ended December 31, 2016 and 2015, and have issued our report thereon dated September 7, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information, which appears on page 35, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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 audits 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 taken as a whole.

Lindquist LLP

September 7, 2017

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

SCHEDULES OF ADMINISTRATIVE EXPENSES YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Accounting and auditing	\$ 344,023	\$ 356,486
Actuarial fees	1,484,607	1,521,706
Administrative offices (see Note 2)	55,394,818	52,882,237
Banking	91,957	91,027
Chairman/Co-Chairman office expenses	816,453	889,406
Consultants' fees	69,670	72,087
Data-processing-related expenses		
Communications	389,165	377,983
Depreciation and amortization	436,625	366,834
IT support and operations	4,992,464	4,299,810
Maintenance and supplies	704,865	1,077,239
TRACS operations (Prudential)	3,125	3,049
Delinquency collection fees	285,969	349,452
Insurance	1,388,580	1,265,045
Interest	56,608	804
Legal fees	3,720,806	2,500,339
Pension Benefit Guaranty Corporation premiums	15,196,518	14,390,584
Printing and postage	652,453	576,655
Prudential administrative fees	11,796,279	11,786,430
State premium taxes (Prudential)	667,543	729,468
Trustees' travel and meetings	348,040	360,076
Total	<u>\$ 98,840,568</u>	<u>\$ 93,896,717</u>