

**WESTERN CONFERENCE OF TEAMSTERS
PENSION PLAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

**FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION
DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019; 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

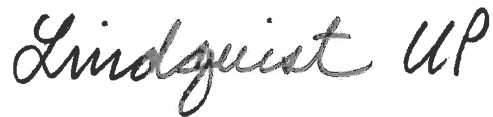
To the Participants and Trustees of
Western Conference of Teamsters Pension Plan
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control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, 2020, and changes therein for the year then ended and its financial status as of December 31, 2019, 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 black ink that reads "Lindquist UP". The signature is written in a cursive, flowing style.

September 9, 2021

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
INVESTMENTS - at fair value		
103-12 investment entities	\$ 2,975,970,925	\$ 3,101,455,173
Cash and cash equivalents	1,593,577,281	1,271,826,228
Common/collective trusts	19,233,136,386	15,949,841,656
Corporate debt securities	2,682,049,664	2,466,515,231
Equity securities	3,492,890,508	3,295,209,428
Insurance company contracts	7,222,264,861	7,107,254,648
Limited partnerships	7,524,077,481	6,271,108,336
Mutual fund	728,304,172	688,404,511
Other private equity	2,183,582,725	2,015,883,558
Pooled separate accounts	58,804,003	57,708,483
Real estate	1,506,131,376	1,549,661,901
U.S. Government and Government Agency obligations	112,978,402	774,827,929
	<u>49,313,767,784</u>	<u>44,549,697,082</u>
Securities on loan		
Corporate debt securities	-	11,975,741
Equity securities	169,240,737	332,550,645
Insurance company contracts	2,077,419,673	2,042,224,428
U.S. Government and Government Agency obligations	-	22,536,216
Total securities on loan	<u>2,246,660,410</u>	<u>2,409,287,030</u>
Fair value of collateral held for securities on loan	2,170,100,718	2,345,925,474
Total investments	<u>53,730,528,912</u>	<u>49,304,909,586</u>
RECEIVABLES		
Due from broker for securities sold	369,590,719	173,376,471
Contributions due from employers	180,600,000	158,900,000
Accrued investment income	42,888,835	39,115,904
Withdrawal liability receivable - net	4,672,621	5,805,500
Forward foreign currency contracts	16,438,518	6,830,282
Swaps receivable from counterparties	-	1,201,748
Total receivables	<u>614,190,693</u>	<u>385,229,905</u>
OTHER ASSETS	<u>6,371,644</u>	<u>6,139,315</u>
CASH	<u>7,619,826</u>	<u>10,914,508</u>
Total assets	<u>54,358,711,075</u>	<u>49,707,193,314</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability to return collateral held for securities on loan	2,292,991,969	2,470,083,858
Securities sold, not yet purchased	1,352,482,245	1,136,111,463
Due to broker for securities purchased	533,145,092	203,343,286
Accounts payable and accrued expenses	32,889,499	18,968,896
Forward foreign currency contracts	16,499,645	6,820,071
Swaps payable to counterparties	391,104	18,761,945
Total liabilities	<u>4,228,399,554</u>	<u>3,854,089,519</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 50,130,311,521</u>	<u>\$ 45,853,103,795</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ADDITIONS		
Investment income		
Interest, dividends and other investment income	\$ 746,455,343	\$ 852,064,925
Net appreciation in fair value of investments	4,745,972,956	5,999,995,739
Net appreciation in fair value of collateral held for securities on loan	1,267,133	29,572
	5,493,695,432	6,852,090,236
Less investment expenses	(308,674,365)	(276,540,786)
Investment income - net	5,185,021,067	6,575,549,450
Employer contributions	2,213,328,972	2,064,146,359
Employer withdrawal liability income	5,375,578	9,970,853
Other income	4,692,950	1,185,517
Total additions	<u>7,408,418,567</u>	<u>8,650,852,179</u>
DEDUCTIONS		
Pension benefits	2,988,566,748	2,900,499,455
Administrative expenses	116,860,189	108,826,523
Income tax expense	25,783,904	23,514,126
Total deductions	<u>3,131,210,841</u>	<u>3,032,840,104</u>
NET CHANGE	4,277,207,726	5,618,012,075
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	45,853,103,795	40,235,091,720
End of year	<u>\$ 50,130,311,521</u>	<u>\$ 45,853,103,795</u>

See accompanying notes to financial statements.

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 1). Temporary cash held in banks is valued at cost, which approximates fair value (Level 2).

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).

Equity securities: The fair value of equity securities 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 note 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 represent the assets less liabilities divided by the total shares or units outstanding. The net asset value is being used as a practical expedient to estimate fair value. The Plan has an investment in Home Partners of America, Inc. The fair value of this investment is based on the estimated fair values of the residential real estate properties owned, using market-level data to estimate the increase or decrease in the value of the properties (Level 3).

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): The investments in the Prudential Temporary Investment Account, Union Mortgage Account, PRISA, PRISA II, PRIVEST, and PREDS are valued based on the net asset value of the underlying assets and liabilities of the accounts. Net asset value is being used as a practical expedient to estimate fair value.

Pooled separate account (other): The investment in pooled separate account (other) is valued based on the net asset value of the underlying assets and liabilities of the accounts. Net asset value is being used as a practical expedient to estimate fair value.

Mortgages (insurance company contracts): The Plan's units in the Prudential Mortgage Investment Separate Account (MORISA) are valued based on the net asset value of the underlying assets and liabilities of MORISA. 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).

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

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 Prudential's PGIM Short-Term Bond Fund (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. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Contributions Receivable - Employer contributions due and not paid prior to 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.

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

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, 2020 and 2019, totaled approximately \$71.7 million and \$56.5 million, respectively.

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 are 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, 2020 and 2019, totaled \$863,997 and \$762,167, 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.

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

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, as follows:

- Interest rate risk arises when the changes in interest rates affect future cash flows or the fair value of financial instruments.
- Market risk is the risk that the fair value of future cash flows of the underlying investments will fluctuate because of the changes 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.

New Accounting Pronouncement - In August 2018, FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The update improves the effectiveness of disclosures that are most important to users of the financial statements of nonpublic entities, specifically those disclosures related to investments reported at Level 3 in the fair value hierarchy (see Note 8) and investments in certain entities that calculate net asset value (see Note 11). The ASU is effective for fiscal years beginning after December 15, 2019. ASU 2018-13 requires retrospective application to the previous year, for comparative financial statements. The Plan's management adopted the ASU for the year ended December 31, 2020.

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

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

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 and industries 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.

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,

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

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 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. In January 2020, the Trustees adopted a benefit accrual rate increase from 1.20% to 1.50% for the year 2020 only. In January 2021, the Trustees adopted a benefit accrual rate increase to 1.60% for the years 2021 through 2023. In 2024, the benefit accrual rate will revert back to 1.20%.

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

- is a vested participant,
- 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.

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

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, including the payment of reasonable operating expenses. 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 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, except as noted below as it relates to unrelated business taxable income and alternative minimum tax.

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.

NOTE 4. TAX STATUS (CONT'D)

Management has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2020, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or 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 2017.

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, 2020 and 2019, the federal AMT and state UBTI taxes paid, including penalties and interest, totaled \$25,783,904 and \$23,514,126, for the tax years relating to 2019 and 2018, respectively.

As a result of the Tax Cuts and Jobs Act of 2017 (TCJA) signed into law in December 2017 and related final regulations issued in November 2020, certain provisions related to UBTI were amended and impact how the Plan calculates its federal tax liability for tax years beginning on and after January 1, 2018.

For tax years prior to 2018, the Plan had the ability to aggregate all of its UBTI-generating income and deductions and report the net UBTI on its federal tax return. TCJA and related IRS regulations require the Plan to compute UBTI separately for each unrelated trade or business activity. Under the IRS regulations, certain investment activities and partnership interests are permitted to be aggregated as one separate business activity. Investment activities that do not meet the IRS *de minimis* or participation tests are aggregated by industry sector based on their respective NAICS 2-digit code.

The IRS regulations provide the new ordering rule for plans with both pre-2018 and post-2017 Net Operating Losses (NOLs). For each unrelated trade or business activity, the Plan can apply its pre-2018 NOLs from total UBTI before deducting any post-2017 NOLs from the UBTI generated by that same unrelated trade or business activity.

NOTE 4. TAX STATUS (CONT'D)

The following summarizes the Plan's remaining NOL as of December 31, 2020 and 2019.

	December 31,	
	<u>2020</u>	<u>2019</u>
NOL at beginning of year		
Pre-2018 NOL	\$ 74,741,083	\$ 104,166,111
Post-2017 NOL	20,148,046	-
NOL Utilized During Year		
Pre-2018 NOL	(39,235,869)	(29,425,028)
Post-2017 NOL	-	-
NOL Generated		
Post-2017 NOL	846,228	20,148,046
NOL at end of year	<u>\$ 56,499,488</u>	<u>\$ 94,889,129</u>
 NOL Summary		
Pre-2018 NOL	\$ 35,505,214	\$ 74,741,083
Post-2017 NOL	20,994,274	20,148,046
Total NOL at end of year	<u>\$ 56,499,488</u>	<u>\$ 94,889,129</u>

The Post-2017 NOL may only be utilized by those investment activities that generated the NOL; however, the pre-2018 NOL may be utilized to offset any UBTI. UBTI loss carryforwards generally can be carried forward up to 20 years. A deferred tax asset relating to the accumulated loss carryforward of approximately \$20.9 million and \$35.1 million as of December 31, 2020 and 2019, respectively, 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 2020 is unknown because the investment entities that may generate UBTI/AMT have not yet reported their results for 2020.

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.

NOTE 5. FUNDING POLICY (CONT'D)

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, 2020 and 2019.

NOTE 6. MAJOR EMPLOYER

During the years ended December 31, 2020 and 2019, approximately 52% and 45%, 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, 2019, is as follows:

Actuarial present value of accumulated Plan benefits	<u>In T thousands</u>
Vested benefits	
Participants currently receiving payments	\$ 26,783,764
Other participants	18,491,200
Total vested benefits	<u>45,274,964</u>
Non-vested benefits	<u>2,118,519</u>
Total actuarial present value of accumulated Plan benefits	<u>\$ 47,393,483</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, 2019, is as follows:

	<u>In Thousands</u>
Actuarial present value of accumulated Plan benefits at beginning of year	<u>\$ 44,822,315</u>
Increase (decrease) during the year attributable to:	
Benefits accumulated	956,603
Actuarial (gain)/loss	201,603
Interest	3,045,117
Benefits paid	(2,900,499)
Change in actuarial assumptions	<u>1,268,344</u>
Net change	<u>2,571,168</u>
Actuarial present value of accumulated Plan benefits at end of year	<u>\$ 47,393,483</u>

The computations of the actuarial present value of accumulated Plan benefits were made by the Plan's actuary as of January 1, 2020. Had the valuation been made as of December 31, 2019, there would be no material differences. No Plan amendments were adopted on January 1, 2020, that would impact the actuarial present value of accumulated Plan benefits.

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. As of January 1, 2017, the Fixed Dollar Account and 82/84 Annuity Account are treated as nondedicated assets for purposes of the actuarial valuation.

Strategic Bond Account:	3.96% (2020); 4.16% (2019).
Assumed rates of return on remaining investments and the rates used to discount remaining liabilities:	6.75% (2020) and 7.00% (2019), net of investment expenses.
Expenses:	\$112 million (2020); \$111 million (2019).
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:	Pri-2012 Total Dataset Amount-Weighted mortality tables for men and women and adjustment factors modified to reflect Plan experience (2020); RP-2014 mortality tables for men and women and adjustment factors modified to reflect Plan experience (2019).
Rates of mortality for disability retirements:	Pri-2012 Total Dataset Amount-Weighted Disabled Retiree mortality tables for men and women (2020); RP-2014 Disabled Annuitant mortality tables for men and women and adjustment factors modified to reflect Plan experience (2019).
Survivor benefit cost:	Family composition tables from the 27th 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.

NOTE 7. ACTUARIAL INFORMATION (CONT'D)

Because information on the accumulated Plan benefits at December 31, 2020, 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, 2020, and the changes in its financial status for the year then ended, but only present the net assets available for benefits and the changes therein as of and for the year ended December 31, 2020. The complete financial status is presented as of December 31, 2019.

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, 2020, are as follows:

Description	December 31, 2020	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	\$ 1,593,577,281	\$ 1,163,664	\$ 1,592,413,617	\$ -
Collateral for securities on loan	2,170,100,718	-	2,170,100,718	-
Corporate debt securities	2,682,049,664	-	2,682,049,664	-
Equity securities	3,662,131,245	3,656,471,482	5,659,763	-
Insurance company contracts				
Cash and cash equivalents	631,237,486	-	631,237,486	-
Corporate debt securities	2,800,437,948	-	2,800,437,948	-
Real estate and mortgages	51,927,490	-	-	51,927,490
Unallocated insurance contracts	84,619,346	-	84,619,346	-
U.S. Government and Government Agency obligations	2,923,352,258	1,620,643,412	1,302,708,846	-
Total insurance company contracts	6,491,574,528	1,620,643,412	4,819,003,626	51,927,490
Mutual fund	728,304,172	728,304,172	-	-
Other private equity	234,124,009	-	-	234,124,009
Real estate	1,506,131,376	-	-	1,506,131,376
U.S. Government and Government Agency obligations	112,978,402	57,799,104	55,179,298	-
Total assets in the fair value hierarchy	19,180,971,395	\$ 6,064,381,834	\$ 11,324,406,686	\$ 1,792,182,875
Investments measured at net asset value				
103-12 investment entities	2,975,970,925			
Common/collective trusts	19,233,136,386			
Insurance company contracts				
Pooled separate accounts	2,796,769,587			
Mortgages	11,340,419			
Limited partnerships	7,524,077,481			
Other private equity	1,949,458,716			
Pooled separate account	58,804,003			
Total investments measured at net asset value	34,549,557,517			
Total investments at fair value	\$ 53,730,528,912			

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, 2019, are as follows:

Description	December 31, 2019	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	\$ 1,271,826,228	\$ 7,825,267	\$ 1,264,000,961	\$ -
Collateral for securities on loan	2,345,925,474	-	2,345,925,474	-
Corporate debt securities	2,478,490,972	-	2,478,490,972	-
Equity securities	3,627,760,073	3,621,068,463	6,691,610	-
Insurance company contracts				
Cash and cash equivalents	129,287,809	-	129,287,809	-
Corporate debt securities	2,896,027,215	-	2,896,027,215	-
Equity securities	951,910	-	951,910	-
Real estate and mortgages	238,313,307	-	-	238,313,307
Unallocated insurance contracts	85,684,280	-	85,684,280	-
U.S. Government and Government Agency obligations	2,892,719,226	1,560,457,412	1,332,261,814	-
Total insurance company contracts	6,242,983,747	1,560,457,412	4,444,213,028	238,313,307
Mutual fund	688,404,511	688,404,511	-	-
Other private equity	206,325,275	-	-	206,325,275
Real estate	1,549,661,901	-	-	1,549,661,901
U.S. Government and Government Agency obligations	797,364,145	485,076,536	312,287,609	-
Total assets in the fair value hierarchy	19,208,742,326	\$ 6,362,832,189	\$ 10,851,609,654	\$ 1,994,300,483
Investments measured at net asset value				
103-12 investment entities	3,101,455,173			
Common/collective trusts	15,949,841,656			
Insurance company contracts				
Pooled separate accounts	2,894,811,687			
Mortgages	11,683,642			
Limited partnerships	6,271,108,336			
Other private equity	1,809,558,283			
Pooled separate account	57,708,483			
Total investments measured at net asset value	30,096,167,260			
Total investments at fair value	\$ 49,304,909,586			

Changes in Fair Value of Level 3 Assets - The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. The Plan evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

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, 2020 and 2019, follows.

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

<u>December 31, 2020</u>	Insurance Company		Other Private	<u>Total</u>
	<u>Contracts</u> <u>Real Estate</u>	<u>Real Estate</u>	<u>Equity</u>	
Beginning balance	\$ 238,313,307	\$ 1,549,661,901	\$ 206,325,275	\$ 1,994,300,483
Total realized/unrealized gains or losses included in changes in net assets	(25,924,818)	(33,880,554)	27,798,734	(32,006,638)
Purchases	-	-	-	-
Sales, withdrawals and distributions	(158,500,000)	(82,650,000)	-	(241,150,000)
Investment income (net of expenses)	(1,960,999)	73,000,029	-	71,039,030
Transfers in/out	-	-	-	-
Ending balance	<u>\$ 51,927,490</u>	<u>\$ 1,506,131,376</u>	<u>\$ 234,124,009</u>	<u>\$ 1,792,182,875</u>

<u>December 31, 2019</u>	Insurance Company		Other Private	<u>Total</u>
	<u>Contracts</u> <u>Real Estate</u>	<u>Real Estate</u>	<u>Equity</u>	
Beginning balance	\$ 595,497,407	\$ 1,489,225,656	\$ 209,398,502	\$ 2,294,121,565
Total realized/unrealized gains or losses included in changes in net assets	(14,040,463)	821,401	(3,073,227)	(16,292,289)
Purchases	-	98,200,000	-	98,200,000
Sales, withdrawals and distributions	(349,450,000)	(116,000,000)	-	(465,450,000)
Investment income (net of expenses)	6,306,363	77,414,844	-	83,721,207
Transfers in/out	-	-	-	-
Ending balance	<u>\$ 238,313,307</u>	<u>\$ 1,549,661,901</u>	<u>\$ 206,325,275</u>	<u>\$ 1,994,300,483</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 tables present quantitative information about the significant unobservable inputs used. These tables do 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, 2020</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Real estate	\$ 1,558,058,866	Appraisals and Discounted Cash Flows	Discount Rates Capitalization Rates Expense Growth Rates	5.00%–10.00% 3.75%–8.75% 3.00%
Other private equity	\$ 234,124,009	Estimated Market	Home Value Index - State Level	5.90%–12.8%
<u>Instrument</u>	<u>Fair Value at December 31, 2019</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Real estate	\$ 1,787,975,208	Appraisals and Discounted Cash Flows	Discount Rates Capitalization Rates Expense Growth Rates	5.00%–9.75% 3.75%–8.50% 3.00%
Other private equity	\$ 206,325,275	Estimated Market	Home Value Index - State Level	1.20%–5.10%

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

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

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.

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.

Credit default swaps (CDS) entered into by the Plan typically represent the exchange by a counterparty with the Plan of a commitment to provide credit protection for a commitment to receive interest at a fixed rate based on the potential risk of default of the relevant underlying issuer. Receiving credit protection from a counterparty tends to decrease the Plan's exposure to the underlying instrument held by the Plan. Such contracts may have a term of one to seven years, but typically require periodic interim settlement in cash. Credit default swaps are marked to market daily based on prices obtained from independent broker/dealers, and changes in value, as well as the accrual of the periodic coupon income, are recorded as unrealized appreciation or depreciation. Gains and losses on CDS agreements are realized upon termination of the swap contract and the periodic payments.

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

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 entered into inflations swaps. Such contracts are used to transfer inflation risk from one party to another through an exchange of fixed cash flows. Inflation swaps are used to mitigate the risk of inflation and to use price fluctuations to the Plan's advantage.

The Plan has entered into zero coupon swaps. Through such transactions, there is an exchange of cash flows in which the stream of floating interest-rate payments is made periodically, but where the stream of fixed-rate payments is made as one lump-sum payment at the time the swap reaches maturity. The party to the floating payments is exposed to a level of default risk, and the party to the fixed-rate payment is exposed to greater credit risk because the contract is being settled at a future date.

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, 2020, 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	\$ 2,285,323,470	\$ (2,012,279)
U.S. Treasury Bond Futures	Short	(440,399,332)	982,315
Total futures		<u>\$ 1,844,924,138</u>	<u>\$ (1,029,964)</u>
Swaps			
Interest Rate Swaps	Long	\$ 391,104	\$ -
Interest Rate Swaps	Short	(391,104)	(391,104)
Total swaps		<u>\$ -</u>	<u>\$ (391,104)</u>
Options			
Equity Call Options	Short	<u>\$ (17,955)</u>	<u>\$ (4,793)</u>
Forward contracts foreign currency			
Pay Euro/Rec US Dollar			\$ (54,778)
Pay US Dollar/Rec Euro			(6,349)
Total forward contracts foreign currency			<u>\$ (61,127)</u>

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

Total open contracts and unrealized gain (loss) by category at December 31, 2019, consisted of the following:

Type	Position	Notional/ Contractual Amount	Unrealized Gain (Loss)
Futures			
U.S. Treasury Bond Futures	Long	\$ 1,838,891,171	\$ (15,007,904)
U.S. Treasury Bond Futures	Short	(118,786,448)	2,700,223
Euro Dollar Futures	Short	(59,722,490)	341,121
Total futures		<u>\$ 1,660,382,233</u>	<u>\$ (11,966,560)</u>
Swaps			
Credit Default Swaps	Long	\$ 27,975,000	\$ (686,571)
Credit Default Swaps	Short	(27,975,000)	-
Interest Rate Swaps	Long	1,274,641,400	(16,892,699)
Interest Rate Swaps	Short	(1,274,641,400)	-
Inflation Swaps	Long	9,472,000	(1,583)
Inflation Swaps	Short	(9,472,000)	-
Zero Coupon Swaps	Long	10,650,000	20,656
Zero Coupon Swaps	Short	(10,650,000)	-
Total swaps		<u>\$ -</u>	<u>\$ (17,560,197)</u>
Options			
Euro Future Call Options	Long	\$ 1,163,225	\$ 132,949
Euro Future Call Options	Short	(1,164,713)	(99,845)
Euro Future Put Options	Short	(28,900,400)	86,825
Interest Rate Swap Call Options	Long	95,310,000	473,714
Interest Rate Swap Call Options	Short	(17,660,000)	(586,246)
Interest Rate Swap Put Options	Long	99,980,000	(506,069)
Interest Rate Swap Put Options	Short	(295,300,000)	1,087,171
Equity Call Options	Short	(13,919)	10,852
Total options		<u>\$ (146,585,807)</u>	<u>\$ 599,351</u>
Warrants			
Equity Warrants	Long	<u>\$ 16,104,056</u>	<u>\$ 3,283,841</u>
Forward contracts foreign currency			
Pay YEN/Rec USD			<u>\$ 10,211</u>
Total forward contracts foreign currency			<u>\$ 10,211</u>

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

The accompanying financial statements reflect these unrealized gains and losses, not the gross value or notional amount of the underlying securities. At December 31, 2020 and 2019, approximately \$22,500,000 and \$16,000,000, 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>2020</u>	<u>December 31,</u> <u>2019</u>
Securities on loan, at fair value		
Custodial bank	\$ 169,240,737	\$ 367,062,602
Prudential	<u>2,077,419,673</u>	<u>2,042,224,428</u>
Total securities on loan	<u>\$ 2,246,660,410</u>	<u>\$ 2,409,287,030</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 Prudential's PGIM Core Short-Term Bond Fund (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, 2020</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	\$ 172,843,752	\$ (767,786)	\$ 172,075,966
Prudential Bond Account	2,120,148,217	(122,123,465)	1,998,024,752
Total	<u>\$ 2,292,991,969</u>	<u>\$ (122,891,251)</u>	<u>\$ 2,170,100,718</u>
 <u>As of December 31, 2019</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	\$ 375,037,672	\$ 8,544	\$ 375,046,216
Prudential Bond Account	2,095,046,186	(124,166,928)	1,970,879,258
Total	<u>\$ 2,470,083,858</u>	<u>\$ (124,158,384)</u>	<u>\$ 2,345,925,474</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, 2020 and 2019, totaled \$1,267,133 and \$29,572, 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 \$16,984,000 and \$13,259,000, respectively, for the years ended December 31, 2020 and 2019. 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,	
	2020	2019				2020	2019
103-12 investment entities	\$ 742,925,706	\$ 605,208,216	{a}	Semi-monthly	10 days	\$ -	\$ -
103-12 investment entities	947,715,932	844,889,926	{a}	Bi-monthly	15 days	-	-
103-12 investment entities	1,285,329,287	1,651,357,031	{a}	Monthly	None-5 days	-	-
T total 103-12 investment entities	<u>2,975,970,925</u>	<u>3,101,455,173</u>					
Common/collective trusts	14,254,483,672	11,467,104,718	{b}	Daily	None-30 days	-	-
Common/collective trusts	<u>4,978,652,714</u>	<u>4,482,736,938</u>	{b}	Weekly	1-2 days	-	-
T total common/collective trusts	<u>19,233,136,386</u>	<u>15,949,841,656</u>					
Limited partnerships							
Fixed income	3,832,757	7,548,722	{c}	Daily	None required	-	-
Fixed income	1,339,775,398	1,270,297,743	{c}	Not permitted	N/A	1,084,405,000	784,175,000
Infrastructure	1,139,678,307	1,107,151,419	{d}	Quarterly	90 days	-	-
Infrastructure	287,345,417	286,341,410	{d}	Not permitted	N/A	473,600,000	587,100,000
Private equity	516,045,164	271,633,048	{e}	Monthly	15 days	-	-
Private equity	13,674,962	20,996,820	{e}	Quarterly	90 days	-	-
Private equity	3,636,206,992	2,602,628,112	{e}	Not permitted	N/A	2,481,100,000	1,874,800,000
Real assets	587,518,484	704,511,062	{f}	Not permitted	N/A	489,700,000	410,600,000
T total limited partnerships	<u>7,524,077,481</u>	<u>6,271,108,336</u>					
Other private equity							
Fixed income	33,621,180	36,084,483	{g}	Daily	None required	-	-
Fixed income	262,455,148	244,896,929	{g}	Daily	90 days	13,000,000	18,000,000
Fixed income	112,441,443	112,945,774	{g}	Semi-annually	180 days	-	-
Fixed income	461,787,366	379,260,480	{g}	Not permitted	N/A	88,700,000	173,100,000
Private equity	196,781,840	173,412,949	{h}	Not permitted	N/A	8,200,000	16,300,000
Real estate	349,403,139	310,747,994	{i}	Quarterly	N/A	101,800,000	14,800,000
Real estate	532,968,600	552,209,674	{i}	See {i}	See {i}	-	-
T total other private equity	<u>1,949,458,716</u>	<u>1,809,558,283</u>					
Pooled separate accounts	442,184,083	501,041,078	{j}	Daily	15 days	-	-
Pooled separate accounts	655,512,605	602,712,259	{j}	Monthly	30-90 days	-	-
Pooled separate accounts	1,757,876,902	1,848,766,833	{j}	Quarterly	90 days	-	-
T total pooled separate accounts	<u>2,855,573,590</u>	<u>2,952,520,170</u>					
Mortgage fund	11,340,419	11,683,642	{k}	Quarterly	15 days	-	-
	<u>\$ 34,549,557,517</u>	<u>\$ 30,096,167,260</u>				<u>\$ 4,740,505,000</u>	<u>\$ 3,878,875,000</u>

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

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 as of December 31, 2020 and 2019, and an unfunded commitment to the ULLICO Infrastructure Tax-Exempt Fund, LP of \$200,000,000 as of December 31, 2020.

- {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 trust funds 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: FTSE T-Bill 3-Month Index, S&P 500 Index, Dow Jones U.S. Completion Total Stock Market Index, MSCI All Country World Index ex-U.S., Russell 1000 Index and Russell 3000 Index.
- {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. Redemptions are not permitted over the term of the investment. The limited partnerships in this category are in liquidation or have terms that range from June 2021 through February 2027, with possible extensions based on the limited partnership agreements.
- {d} This class of investments consists of 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. The fund that permits redemption is open-ended, and the terms are indefinite. Where redemptions are not currently permitted, the fund is open-ended with redemptions permitted after a six-year lock-out, or the term of the investment is through December 2024, with a possible extension based on the limited partnership agreement.
- {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 active investments, investments in middle-market business, investments in transportation-related companies, and domestic and international equity and equity-related investments, as well as U.S. agency mortgage-backed securities, which are levered to outperform the

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

S&P 500. The fund that permits quarterly redemptions is currently in liquidation. The remaining investments permit monthly redemptions or do not permit redemptions over the term of the investment. The limited partnerships in this category are in liquidation or have terms that range from December 2021 through July 2032, with possible extensions based on the limited partnership agreements.

- {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 the Bloomberg Commodity Index Total Return USD. Redemptions are not permitted over the term of the investment. The limited partnerships in this category are in liquidation or have terms that range from December 2022 through August 2027, with possible extensions based on the limited partnership agreements.
- {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 United States. 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. Redemptions are not permitted over the term of the investment. The investments in this category have terms that range from April 2023 through March 2029, with possible extensions based on the underlying agreements.

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

- {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} These investments are open-ended funds and direct filing entities with the Department of Labor; therefore, information regarding the investment strategy is not disclosed.
- {k} This represents the Prudential Mortgage Investment Separate Account. The fund's investments are composed primarily of commercial mortgage loans secured by income-producing properties.

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.

NOTE 12. NET ASSETS AVAILABLE FOR BENEFITS (CONT'D)

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>2020</u>	<u>December 31,</u> <u>2019</u>
Retired and Survivor Guaranteed Annuities	\$ 992,203,064	\$ 1,113,789,899
Non-Guaranteed Benefits for Retirees and Survivors and Future Retirees and Survivors	49,138,108,457	44,739,313,896
Net assets available for benefits	<u>\$ 50,130,311,521</u>	<u>\$ 45,853,103,795</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 completely 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, 2019, the Plan has an estimated unfunded vested liability of \$1.674 billion for withdrawal liability purposes.

For the years ended December 31, 2020 and 2019, employers who have withdrawn from the Plan have been assessed a withdrawal liability of approximately \$8,800,000 and \$9,800,000, 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 uncollectible amounts, 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 \$4,672,621 and \$5,805,500, as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Plan recorded approximately \$5,376,000 and \$9,971,000 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>2020</u>	<u>December 31,</u> <u>2019</u>
Net assets available for benefits per the financial statements	\$ 50,130,311,521	\$ 45,853,103,795
Benefit obligations currently payable	<u>(10,217,761)</u>	<u>(7,443,829)</u>
Net assets available for benefits per the Form 5500	<u>\$ 50,120,093,760</u>	<u>\$ 45,845,659,966</u>

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, 2020:

Benefits paid to or for participants per the financial statements	\$ 2,988,566,748
Add - amounts currently payable at end of year	10,217,761
Less - amounts currently payable at beginning of year	<u>(7,443,829)</u>
Benefits paid to or for participants per the Form 5500	<u>\$ 2,991,340,680</u>

NOTE 15. SUBSEQUENT EVENTS

Subsequent to year-end, the coronavirus pandemic (COVID-19) continued in the United States, causing major concerns both for health and safety of individuals as well as economic and business operations of companies and organizations. Impacts of COVID-19 are not fully known at this time nor can they be projected with any certainty. Some impacts from COVID-19 to the employers that contribute to the Plan, in the near term and foreseeable future, may include business and production disruptions, supply chain interruptions, and negative impacts on customers, which could reduce contributions to the Plan. The Plan may also be impacted due to volatility in the equity and debt markets and other economic outcomes.

NOTE 15. SUBSEQUENT EVENTS (CONT'D)

The members of the Plan are primarily employed in the package delivery, waste disposal, grocery and broader food distribution sectors of the economy, and many employers may face significant economic hardships as a result of COVID-19. A reasonable estimate of the impact or potential impact of COVID-19 on the Plan as of the date of the financial statements cannot be made.

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



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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, 2020 and 2019, and have issued our report thereon dated September 9, 2021, 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 37, 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 CP

September 9, 2021

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

SCHEDULES OF ADMINISTRATIVE EXPENSES YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Accounting and auditing	\$ 401,007	\$ 401,392
Actuarial fees	1,085,483	1,177,105
Administrative offices (see Note 2)	70,777,986	64,082,186
Banking	61,163	47,085
Chairman/Co-Chairman office expenses	932,013	898,903
Consultants' fees	127,131	105,551
Data-processing-related expenses		
Communications	404,970	410,183
Depreciation and amortization	863,997	762,167
IT support and operations	4,529,684	4,450,388
Maintenance and supplies	1,001,000	611,445
Delinquency collection fees	575,073	789,027
Insurance	1,424,117	1,360,924
Interest	237	83,917
Legal fees	3,520,235	3,280,350
Pension Benefit Guaranty Corporation premiums	18,091,050	17,252,013
Printing and postage	621,736	687,427
Prudential administrative fees	12,350,424	11,999,739
Trustees' travel and meetings	92,883	426,721
Total	<u>\$ 116,860,189</u>	<u>\$ 108,826,523</u>