

**WESTERN CONFERENCE OF TEAMSTERS
PENSION PLAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Western Conference of Teamsters Pension Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2021, and the changes in its net assets available for benefits for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Western Conference of Teamsters Pension Plan
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OTHER MATTER – DECEMBER 31, 2020, FINANCIAL STATEMENTS

The financial statements of the Plan for the year ended December 31, 2020, were audited by Lindquist LLP, who joined WithumSmith+Brown, PC effective January 1, 2022, and they expressed an unmodified opinion on the financial statements in their report dated September 9, 2021. No auditing procedures have been performed with respect to the December 31, 2020, financial statements since that date.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

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misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

William Smith + Brown, PC

September 8, 2022

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
INVESTMENTS - at fair value		
103-12 investment entities	\$ 3,196,558,077	\$ 2,975,970,925
Cash and cash equivalents	1,514,054,485	1,593,577,281
Common/collective trusts	23,804,192,322	19,233,136,386
Corporate debt securities	2,520,962,016	2,682,049,664
Equity securities	1,487,328,909	3,492,890,508
Insurance company contracts	7,540,471,905	7,222,264,861
Limited partnerships	10,500,851,250	7,524,077,481
Mutual fund	1,153,010,227	728,304,172
Other private equity	2,320,088,408	2,183,582,725
Pooled separate accounts	60,529,697	58,804,003
Real estate	1,738,996,075	1,506,131,376
U.S. Government and Government Agency obligations	100,910,335	112,978,402
	<u>55,937,953,706</u>	<u>49,313,767,784</u>
Securities on loan		
Equity securities	108,616,698	169,240,737
Insurance company contracts	2,005,384,052	2,077,419,673
Total securities on loan	<u>2,114,000,750</u>	<u>2,246,660,410</u>
Fair value of collateral held for securities on loan	<u>2,032,745,724</u>	<u>2,170,100,718</u>
Total investments	<u>60,084,700,180</u>	<u>53,730,528,912</u>
RECEIVABLES		
Due from broker for securities sold	45,336,761	369,590,719
Contributions due from employers	186,600,000	180,600,000
Accrued investment income	48,013,775	42,888,835
Withdrawal liability receivable - net	328,244	4,672,621
Forward foreign currency contracts	-	16,438,518
Total receivables	<u>280,278,780</u>	<u>614,190,693</u>
OTHER ASSETS	<u>7,618,788</u>	<u>6,371,644</u>
CASH	<u>11,686,213</u>	<u>7,619,826</u>
Total assets	<u>60,384,283,961</u>	<u>54,358,711,075</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Liability to return collateral held for securities on loan	2,161,493,359	2,292,991,969
Securities sold, not yet purchased	1,066,559,454	1,352,482,245
Due to broker for securities purchased	47,271,801	533,145,092
Accounts payable and accrued expenses	27,533,186	32,889,499
Forward foreign currency contracts	-	16,499,645
Swaps payable to counterparties	6,093,425	391,104
Total liabilities	<u>3,308,951,225</u>	<u>4,228,399,554</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 57,075,332,736</u>	<u>\$ 50,130,311,521</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Investment income		
Interest, dividends and other investment income	\$ 839,002,659	\$ 746,455,343
Net appreciation in fair value of investments	7,561,969,979	4,745,972,956
Net appreciation (depreciation) in fair value of collateral held for securities on loan	<u>(6,624,170)</u>	<u>1,267,133</u>
	8,394,348,468	5,493,695,432
Less investment expenses	<u>(597,310,112)</u>	<u>(308,674,365)</u>
Investment income - net	7,797,038,356	5,185,021,067
Employer contributions	2,363,968,127	2,213,328,972
Employer withdrawal liability income	2,507,501	5,375,578
Other income	<u>1,363,532</u>	<u>4,692,950</u>
Total additions	<u>10,164,877,516</u>	<u>7,408,418,567</u>
DEDUCTIONS		
Pension benefits	3,079,704,643	2,988,566,748
Administrative expenses	121,625,246	116,860,189
Income tax expense	<u>18,526,412</u>	<u>25,783,904</u>
Total deductions	<u>3,219,856,301</u>	<u>3,131,210,841</u>
NET CHANGE	6,945,021,215	4,277,207,726
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	<u>50,130,311,521</u>	<u>45,853,103,795</u>
End of year	<u>\$ 57,075,332,736</u>	<u>\$ 50,130,311,521</u>

See accompanying notes to financial statements.

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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). The Plan has an investment in Enervest Energy Institutional Fund XIV-A, LP. The fair value of this investment is based on discounted cash flows using a risk adjusted 10% discount rate of the future net cash flows utilizing a 10 year forward price curve for oil and gas (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 earned and not paid prior to year-end are recorded as employer contributions receivable. Management has evaluated contributions receivable and believes all amounts are fully collectible, therefore, an allowance for uncollectible accounts 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 as a result of payroll audits are recorded when received.

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

Withdrawal Liability Income and Receivable - Withdrawal liability 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, 2021 and 2020, totaled approximately \$65.0 million and \$71.7 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, 2021 and 2020, totaled \$788,342 and \$863,997, respectively. Equipment and other fixed assets are included in other assets on the statements of net assets available for benefits

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic. Management continues to evaluate the impact of COVID-19 on the Plan. Impacts of COVID-19 are not fully known at this time, nor can they be projected with any certainty. To the extent that contributing employers are negatively impacted by COVID-19 economic events, the Plan may also experience negative economic events in turn, through reduction of participants and related contribution income. 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.

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;

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

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).

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, employer contribution rates payable on behalf of active participants through the end of 1991 are recognized in determining retirement benefits.

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

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 1.2% for all participants, regardless of years of service. In January 2020, the Trustees adopted a benefit accrual rate increase from 1.2% to 1.5% for the year 2020 only. In January 2021, the Trustees adopted a benefit accrual rate increase to 1.6% for the years 2021 through 2023. In 2024, the benefit accrual rate will revert back to 1.2%.

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.

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 (IRS) 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. Management has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2021 and 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 2018.

NOTE 4. TAX STATUS (CONT'D)

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, 2021 and 2020, the federal AMT and state UBTI taxes paid, including penalties and interest, totaled \$18,526,412 and \$25,783,904, for the tax years relating to 2020 and 2019, 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, 2021 and 2020.

	December 31,	
	<u>2021</u>	<u>2020</u>
NOL at beginning of year		
Pre-2018 NOL	\$ 53,780,180	\$ 95,611,716
Post-2017 NOL	27,141,411	26,295,183
NOL Utilized During Year		
Pre-2018 NOL	(48,240,419)	(41,831,536)
Post-2017 NOL	-	-
NOL Generated		
Post-2017 NOL	<u>2,110,999</u>	<u>846,228</u>
NOL at end of year	<u>\$ 34,792,171</u>	<u>\$ 80,921,591</u>
 NOL Summary		
Pre-2018 NOL	\$ 5,539,761	\$ 53,780,180
Post-2017 NOL	<u>29,252,410</u>	<u>27,141,411</u>
Total NOL at end of year	<u>\$ 34,792,171</u>	<u>\$ 80,921,591</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 \$12.9 million and \$29.9 million as of December 31, 2021 and 2020, 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 2021 is unknown because the investment entities that may generate UBTI/AMT have not yet reported their results for 2021. The Plan also has AMT credit carryforwards for the amount of AMT the Plan has paid in the past. These credits may be utilized to reduce the Plan's tax burden if the Plan's UBTI exceeds AMT during a given tax year. As of December 31, 2021 and 2020, the Plan had approximately \$60.8 million and \$35.8 million in AMT credit carryforwards available for use in the future.

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, 2021 and 2020.

NOTE 6. MAJOR EMPLOYER

During the years ended December 31, 2021 and 2020, approximately 53% and 52%, 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, 2020, is as follows:

Actuarial present value of accumulated Plan benefits	<u>In Thousands</u>
Vested benefits	
Participants currently receiving payments	\$ 28,059,121
Other participants	<u>19,958,465</u>
Total vested benefits	48,017,586
Non-vested benefits	<u>2,312,706</u>
Total actuarial present value of accumulated Plan benefits	<u>\$ 50,330,292</u>

NOTE 7. ACTUARIAL INFORMATION (CONT'D)

The changes in actuarial present value of accumulated Plan benefits, as determined by the Plan's actuary for the year ended December 31, 2020, is as follows:

	<u>In Thousands</u>
Actuarial present value of accumulated Plan	
benefits at beginning of year	<u>\$ 47,393,483</u>
Increase (decrease) during the year	
attributable to:	
Benefits accumulated	1,351,334
Data updates	25,003
Actuarial (gain)/loss	134,121
Interest	3,136,515
Benefits paid	(2,988,567)
Change in actuarial assumptions	<u>1,278,403</u>
Net change	<u>2,936,809</u>
Actuarial present value of accumulated	
Plan benefits at end of year	<u>\$ 50,330,292</u>

The computations of the actuarial present value of accumulated Plan benefits were made by the Plan's actuary as of January 1, 2021. Had the valuation been made as of December 31, 2020, there would be no material differences. No Plan amendments were adopted on January 1, 2021, 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:	3.36% (2021); 3.96% (2020).
Assumed rates of return on remaining investments and the rates used to discount remaining liabilities:	6.50% (2021) and 6.75% (2020), net of investment expenses.
Expenses:	\$120 million (2021); \$112 million (2020).
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 (2021 and 2020).
Rates of mortality for disability retirements:	Pri-2012 Total Dataset Amount-Weighted Disabled Retiree mortality tables for men and women (2021 and 2020).
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, 2021, 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, 2021, 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, 2021. The complete financial status is presented as of December 31, 2020.

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, 2021, are as follows:

Description	December 31, 2021	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	\$ 1,514,054,485	\$ 532,072	\$ 1,513,522,413	\$ -
Collateral for securities on loan	2,032,745,724	-	2,032,745,724	-
Corporate debt securities	2,520,962,016	-	2,520,962,016	-
Equity securities	1,595,945,607	1,591,085,546	4,860,061	-
Insurance company contracts				
Cash and cash equivalents	284,798,988	-	284,798,988	-
Corporate debt securities	2,744,706,264	-	2,744,706,264	-
Real estate and mortgages	10,679,527	-	-	10,679,527
Unallocated insurance contracts	71,403,580	-	71,403,580	-
U.S. Government and Government Agency obligations	2,875,041,749	1,950,691,720	924,350,029	-
Total insurance company contracts	5,986,630,108	1,950,691,720	4,025,258,861	10,679,527
Limited partnership	114,380,122	-	-	114,380,122
Mutual fund	1,153,010,227	1,153,010,227	-	-
Real estate	1,738,996,075	-	-	1,738,996,075
U.S. Government and Government Agency obligations	100,910,335	61,487,664	39,422,671	-
Total assets in the fair value hierarchy	16,757,634,699	\$ 4,756,807,229	\$ 10,136,771,746	\$ 1,749,675,602
Investments measured at net asset value				
103-12 investment entities	3,196,558,077			
Common/collective trusts	23,804,192,322			
Insurance company contracts				
Pooled separate accounts	3,548,729,417			
Mortgages	10,496,432			
Limited partnerships	10,386,471,128			
Other private equity	2,320,088,408			
Pooled separate account	60,529,697			
Total investments measured at net asset value	43,327,065,481			
Total investments at fair value	\$ 60,084,700,180			
Liabilities				
Liability to return collateral held for securities on loan	\$ 2,161,493,359	\$ -	\$ 2,161,493,359	\$ -

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, 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
Limited partnership	91,639,909	-	-	91,639,909
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	19,272,611,304	\$ 6,064,381,834	\$ 11,324,406,686	\$ 1,883,822,784
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	7,432,437,572			
Other private equity	1,949,458,716			
Pooled separate account	58,804,003			
Total investments measured at net asset value	34,457,917,608			
Total investments at fair value	\$ 53,730,528,912			
Liabilities				
Liability to return collateral held for securities on loan	\$ 2,292,991,969	\$ -	\$ 2,292,991,969	\$ -

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)

Changes in Level 3 assets for the years ended December 31, 2021 and 2020, were as follows:

<u>December 31, 2021</u>	<u>Purchases</u>	<u>Transfers Into (Out of) Level 3</u>
Real Estate	\$ 21,582,000	\$ -
Limited partnership	843,361	-
Total	<u>\$ 22,425,361</u>	<u>\$ -</u>

<u>December 31, 2020</u>	<u>Purchases</u>	<u>Transfers Into Level 3</u>
Limited partnership	\$ 4,942,901	\$ -
Total	<u>\$ 4,942,901</u>	<u>\$ -</u>

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, 2021</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>
Real estate	\$ 1,749,675,602	Appraisals and Discounted Cash Flows	Discount Rates Capitalization Rates Expense Growth Rates	5.00%–7.50% 3.75%–7.00% 3.00%
Limited partnership	\$ 114,380,122	Discounted Cash Flows Independent Reserve Report	Risk Adjusted Present Value Proven Undeveloped Oil Reserves Probable Reserves Oil Reserves	10% 75% 50%

<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 Value	Home Value Index - State Level Data	5.90%–12.8%
Limited partnership	\$ 91,639,909	Discounted Cash Flows Independent Reserve Report	Risk Adjusted Present Value Proven Undeveloped Oil Reserves Probable Reserves Oil Reserves	10% 75% 50%

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.

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.

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.

NOTE 9. FINANCIAL INSTRUMENTS (CONT'D)

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.

Total open contracts and unrealized gain (loss) by category at December 31, 2021, 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	\$ 1,777,594,705	\$ 11,136,450
U.S. Treasury Bond Futures	Short	<u>(407,615,883)</u>	<u>(4,282,995)</u>
Total futures		<u>\$ 1,369,978,822</u>	<u>\$ 6,853,455</u>
Swaps			
Interest Rate Swaps	Long	\$ (5,879,969)	\$ (5,879,969)
Interest Rate Swaps	Short	<u>-</u>	<u>117,914</u>
Total swaps		<u>\$ (5,879,969)</u>	<u>\$ (5,762,055)</u>
Options			
Equity Call Options	Long	\$ 152,253	\$ (147,583)
Equity Call Options	Short	<u>(22,972)</u>	<u>13,957</u>
Total options		<u>\$ 129,281</u>	<u>\$ (133,626)</u>

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			<u>(6,349)</u>
Total forward contracts foreign currency			<u>\$ (61,127)</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, 2021 and 2020, approximately \$29,300,000 and \$22,500,000, 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.

NOTE 10. SECURITIES LENDING (CONT'D)

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>2021</u>	<u>2020</u>
Securities on loan, at fair value		
Custodial bank	\$ 108,616,698	\$ 169,240,737
Prudential	<u>2,005,384,052</u>	<u>2,077,419,673</u>
Total securities on loan	<u>\$ 2,114,000,750</u>	<u>\$ 2,246,660,410</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.

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

<u>As of December 31, 2021</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	\$ 111,177,955	\$ (493,785)	\$ 110,684,170
Prudential Bond Account	<u>2,050,315,404</u>	<u>(128,253,850)</u>	<u>1,922,061,554</u>
Total	<u>\$ 2,161,493,359</u>	<u>\$ (128,747,635)</u>	<u>\$ 2,032,745,724</u>
 <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	<u>2,120,148,217</u>	<u>(122,123,465)</u>	<u>1,998,024,752</u>
Total	<u>\$ 2,292,991,969</u>	<u>\$ (122,891,251)</u>	<u>\$ 2,170,100,718</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, 2021 and 2020, totaled \$(6,624,170) and \$1,267,133, respectively.

NOTE 10. SECURITIES LENDING (CONT'D)

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 \$12,272,000 and \$16,984,000, respectively, for the years ended December 31, 2021 and 2020. 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,	
	2021	2020				2021	2020
103-12 investment entities	\$ 855,491,308	\$ 742,925,706	{a}	Semi-monthly	10 days	\$ -	\$ -
103-12 investment entities	776,332,511	947,715,932	{a}	Bi-monthly	15 days	-	-
103-12 investment entities	1,412,669,668	1,285,329,287	{a}	Monthly	None-5 days	-	-
103-12 investment entities	152,064,590	-	{a}	See (l)	See (l)	-	-
Total 103-12 investment entities	3,196,558,077	2,975,970,925					
Common/collective trusts	18,106,986,076	14,254,483,672	{b}	Daily	None-30 days	-	-
Common/collective trusts	5,697,206,246	4,978,652,714	{b}	Weekly	1-2 days	-	-
Total common/collective trusts	23,804,192,322	19,233,136,386					
Limited partnerships							
Fixed income	610,441	3,832,757	{c}	Daily	None required	-	-
Fixed income	1,433,208,271	1,339,775,398	{c}	Not permitted	N/A	1,791,000,000	988,800,000
Infrastructure	1,343,378,975	1,139,678,307	{d}	Quarterly	90 days	-	-
Infrastructure	799,342,744	287,345,417	{d}	Not permitted	N/A	76,500,000	473,600,000
Private equity	915,132,921	516,045,164	{e}	Monthly	15 days	-	-
Private equity	16,775,482	13,674,962	{e}	Quarterly	90 days	-	-
Private equity	5,179,562,203	3,636,206,992	{e}	Not permitted	N/A	2,927,500,000	2,463,300,000
Real assets	698,460,091	495,878,575	{f}	Not permitted	N/A	366,000,000	489,700,000
Total limited partnerships	10,386,471,128	7,432,437,572					
Other private equity							
Fixed income	30,327,208	33,621,180	{g}	Daily	None required	-	-
Fixed income	299,506,441	262,455,148	{g}	Daily	90 days	-	13,000,000
Fixed income	125,333,997	112,441,443	{g}	Semi-annually	180 days	-	-
Fixed income	680,284,161	461,787,366	{g}	Not permitted	N/A	21,500,000	88,700,000
Private equity	196,072,383	196,781,840	{h}	Not permitted	N/A	34,854,000	8,200,000
Real estate	422,043,522	349,403,139	{i}	Quarterly	N/A	116,600,000	101,800,000
Real estate	566,520,696	532,968,600	{i}	See {i}	See {i}	-	-
Total other private equity	2,320,088,408	1,949,458,716					
Pooled separate accounts	632,117,508	442,184,083	{j}	Daily	15 days	-	-
Pooled separate accounts	1,057,690,010	655,512,605	{j}	Monthly	30-90 days	-	-
Pooled separate accounts	1,919,451,596	1,757,876,902	{j}	Quarterly	90 days	-	-
Total pooled separate accounts	3,609,259,114	2,855,573,590					
Mortgage fund	10,496,432	11,340,419	{k}	Quarterly	15 days	-	-
	\$ 43,327,065,481	\$ 34,457,917,608				\$ 5,333,954,000	\$ 4,627,100,000

**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, 2021 and 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.
- {l} This investment will permit the Plan to redeem all or a portion of its units in the fund after the expiration of a four-year lock-up period from the date the Plan entered the fund (December 2021). After the lock-up period has expired, the Plan will be able to redeem units quarterly with 45 days' written notice.

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>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Retired and Survivor		
Guaranteed Annuities	\$ 805,766,313	\$ 992,203,064
Non-Guaranteed Benefits		
for Retirees and Survivors and		
Future Retirees and Survivors	<u>56,269,566,423</u>	<u>49,138,108,457</u>
Net assets available for benefits	<u>\$ 57,075,332,736</u>	<u>\$ 50,130,311,521</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, 2020, the Plan has an estimated unfunded vested liability of approximately \$860 million for withdrawal liability purposes.

For the years ended December 31, 2021 and 2020, employers who have withdrawn from the Plan have been assessed a withdrawal liability of approximately \$2,700,000 and \$8,800,000, 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. accounting principles generally accepted in the United States of America 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 uncollectable 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 \$328,244 and \$4,672,621, as of December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, the Plan recorded approximately \$2,508,000 and \$5,376,000 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 represent 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>2021</u>	<u>2020</u>
Net assets available for benefits per the financial statements	\$ 57,075,332,736	\$ 50,130,311,521
Benefit obligations currently payable	<u>(11,074,372)</u>	<u>(10,217,761)</u>
Net assets available for benefits per the Form 5500	<u>\$ 57,064,258,364</u>	<u>\$ 50,120,093,760</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, 2021:

Benefits paid to or for participants per the financial statements	\$ 3,079,704,643
Add - amounts currently payable at end of year	11,074,372
Less - amounts currently payable at beginning of year	<u>(10,217,761)</u>
Benefits paid to or for participants per the Form 5500	<u>\$ 3,080,561,254</u>

NOTE 15. 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

SUPPLEMENTAL SCHEDULES

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the information in the accompanying schedules is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedule of administrative expenses for the year ended December 31, 2020, was subjected to the auditing procedures applied in the audit of the financial statements for the year ended December 31, 2020, by Lindquist LLP. Lindquist LLP joined WithumSmith+Brown, PC effective January 1, 2022, and their report on such information, dated September 9, 2021, stated that it was fairly stated in all material respects in relation to the 2020 financial statements as a whole.

WithumSmith+Brown, PC

September 8, 2022

WESTERN CONFERENCE OF TEAMSTERS PENSION PLAN

SCHEDULES OF ADMINISTRATIVE EXPENSES YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Accounting and auditing	\$ 447,018	\$ 401,007
Actuarial fees	970,367	1,085,483
Administrative offices (see Note 2)	74,393,716	70,777,986
Banking	65,890	61,163
Chairman/Co-Chairman office expenses	960,063	932,013
Consultants' fees	91,135	127,131
Data-processing-related expenses		
Communications	443,264	404,970
Depreciation and amortization	788,342	863,997
IT support and operations	4,725,355	4,529,684
Maintenance and supplies	939,418	1,001,000
Delinquency collection fees	909,756	575,073
Insurance	1,500,631	1,424,117
Interest	-	237
Legal fees	2,874,576	3,520,235
Pension Benefit Guaranty Corporation premiums	18,947,789	18,091,050
Printing and postage	903,241	621,736
Prudential administrative fees	12,509,007	12,350,424
Trustees' travel and meetings	155,678	92,883
Total	<u>\$ 121,625,246</u>	<u>\$ 116,860,189</u>