

**OUTSTATE MICHIGAN TROWEL TRADES
PENSION FUND**

Lansing, Michigan

FINANCIAL STATEMENTS

December 31, 2016

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John M. Grace, CPA
Bryan D. Stulz, CPA
George Benda, CPA
(1941-2007)



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Outstate Michigan Trowel Trades Pension Fund
6525 Centurion Drive
Lansing, MI 48917

Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of Outstate Michigan Trowel Trades Pension Fund, which comprise the statement of net assets available for benefits as of December 31, 2016 and 2015, and the related statement of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 31, 2015 and 2014, the related statement of changes in accumulated plan benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Outstate Michigan Trowel Trades Pension Fund's net assets available for benefits as of December 31, 2016 and 2015, and changes therein for the years then ended and its financial status as of December 31, 2015 and 2014, and changes therein for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bender, Gao, Stal & Company, P.C.

Sterling Heights, Michigan
June 22, 2017

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2016	2015
<u>ASSETS</u>		
Investments at fair value (Notes B, D and E):		
Common stocks	\$ 15,594,405	\$ 13,115,300
Real estate funds	4,517,581	4,183,501
Common collective trusts	3,963,119	6,670,445
Mutual funds	24,637,716	24,984,563
Hedge fund of funds	6,505,048	6,015,007
Limited partnerships (Note F)	5,349,186	3,881,233
Total investments	60,567,055	58,850,049
Receivables:		
Employer contributions (Note B)	88,016	139,067
Accrued interest and dividends	66,983	65,575
Unsettled investment transactions	-	124,662
Other	-	304
Total receivables	154,999	329,608
Other assets:		
Prepaid expenses	16,367	15,537
Unexpired insurance premiums	5,885	5,942
Cash	622,118	827,223
Total other assets	644,370	848,702
Total assets	61,366,424	60,028,359
<u>LIABILITIES</u>		
Accounts payable	93,998	172,872
Unsettled investment transactions	-	2,433,276
Total liabilities	93,998	2,606,148
NET ASSETS AVAILABLE FOR BENEFITS	\$ 61,272,426	\$ 57,422,211

The accompanying notes are an integral part of these financial statements.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Years ended December 31,		Increase
	2016	2015	(Decrease)
<u>ADDITIONS</u>			
Net investment income (loss) (Note G)	\$ 5,098,121	\$ (686,105)	\$ 5,784,226
Employer contributions	3,301,405	2,903,803	397,602
Liquidated damages collected	807	399	408
Total additions	8,400,333	2,218,097	6,182,236
<u>DEDUCTIONS</u>			
Benefit payments	4,307,702	4,266,403	41,299
Administrative expenses:			
Administrative manager's fee	52,764	52,764	-
Premiums paid Pension Benefit Guaranty Corporation	37,989	36,894	1,095
Actuarial fee	25,400	25,400	-
Legal fees	23,100	26,861	(3,761)
Trustee and fiduciary liability insurance and bonding	17,430	17,573	(143)
Audit fee	16,300	15,800	500
Legal fees – collection	15,556	5,997	9,559
Payroll audit fees	15,023	12,017	3,006
Printing and miscellaneous	13,915	11,254	2,661
Lockbox and bank service charges	11,148	10,859	289
Educational foundation dues	4,605	4,305	300
Conference and seminar expense	3,042	7,201	(4,159)
Member communications	2,412	4,351	(1,939)
Trustee meeting expense	2,332	5,443	(3,111)
Form 5500 preparation fee	1,400	1,400	-
Medical examinations	-	775	(775)
Total administrative expenses	242,416	238,894	3,522
Total deductions	4,550,118	4,505,297	44,821
<u>NET INCREASE (DECREASE)</u>	3,850,215	(2,287,200)	\$ 6,137,415
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>			
Beginning of year	57,422,211	59,709,411	
End of year	\$ 61,272,426	\$ 57,422,211	

The accompanying notes are an integral part of these financial statements.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

STATEMENT OF ACCUMULATED PLAN BENEFITS

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>ACTUARIAL PRESENT VALUE OF</u>		
<u>ACCUMULATED PLAN BENEFITS</u>		
Vested benefits:		
Participants currently receiving payments	\$ 40,152,010	\$ 40,272,946
Other participants	<u>26,493,365</u>	<u>29,610,954</u>
	66,645,375	69,883,900
Non-vested benefits	<u>4,718,146</u>	<u>1,956,379</u>
<u>TOTAL ACTUARIAL PRESENT VALUE OF</u>		
<u>ACCUMULATED PLAN BENEFITS</u>	<u>\$ 71,363,521</u>	<u>\$ 71,840,279</u>

The accompanying notes are an integral part of these financial statements.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS

	Years ended December 31,	
	2015	2014
<u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR</u>	<u>\$ 71,840,279</u>	<u>\$ 68,448,394</u>
Increase (decrease) during the period attributable to:		
Plan amendment	(2,611,164)	-
Change in actuarial assumption	(4,940)	1,197,930
Benefits accumulated and experience gain or loss	838,127	1,129,671
Interest due to decrease in discount period	5,567,622	5,304,751
Benefits paid	(4,266,403)	(4,240,467)
Net increase (decrease)	(476,758)	3,391,885
<u>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR</u>	<u>\$ 71,363,521</u>	<u>\$ 71,840,279</u>

The accompanying notes are an integral part of these financial statements.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS

Note A: **Description of the Plan**

The following brief description of the Outstate Michigan Trowel Trades Pension Fund, as in effect on December 31, 2016, is provided for general purposes only. For more complete information refer to the amended and restated plan document.

1. **General** – The Pension Fund was established effective January 1, 1972 as a result of collective bargaining. The Plan is a defined benefit pension plan covering all employees working under collective bargaining agreements which require contributions to the Fund. It is a multi-employer fund subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.
2. **Retirement Benefits** – Information about the plan, the vesting, and the benefit provisions is contained in the Summary Plan Description. Copies are available at the offices of each participating Local Union or the Fund office.

Note B: **Summary of Significant Accounting Policies**

1. **General** – The accounting records of the plan are maintained on the accrual basis of accounting. Contributions received subsequent to December 31, 2016, attributed to hours worked prior to January 1, 2017, have been reflected as contributions due from employers as of December 31, 2016 in accordance with the consistent policy of the Fund.
2. **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.
3. **Investment Valuation and Income Recognition** – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note B: **Summary of Significant Accounting Policies** (Continued)

4. Actuarial Present Value of Accumulated Plan Benefits – Accumulated Plan benefits are those future periodic payments, including lump-sum distributions, that are attributable, under the Plan provisions, to the service participants have rendered. Accumulated Plan benefits include benefits expected to be paid to (a) retired or terminated participants or their beneficiaries, (b) beneficiaries of participants who have died and (c) present participants or their beneficiaries. Benefits under the plan are based on participants' service credit. The accumulated plan benefits for active participants are based on their service credit on the date as of which the benefit information is presented December 31, 2015 and 2014. Benefits payable under all circumstances (retirement, death, disability and termination of employment) are included, to the extent they are deemed attributable to participants service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary from United Actuarial Services, Inc. and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2015 and 2014 were (a) life expectancy of participants (RP-2014 Generational Blue Collar Mortality Tables for Employees and Health Annuitants Projected using the MP-2014 Projection Scale, set forward three years for Males and Females was used for 2015 and 2014), (b) retirement age assumptions (the assumed average retirement age is based on a graduated scale depending on retirement probabilities) and (c) investment return. The 2015 and 2014 valuations included the assumed average rate of return of 7.75%. The administrative expenses associated with providing benefits for the 2015 and 2014 valuations were assumed at \$260,000. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Note C: **Funding Policy**

Contributions are obtained directly from participating employers. These contributions are based on hours worked by plan participants and at hourly rates specified in the collective bargaining agreements. The contributions received for the years ended December 31, 2016 and 2015 exceeded the minimum funding requirements of ERISA.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note D: Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, the fair value hierarchy, the Plan's assets at fair value as of:

Fair Value Measurements at December 31, 2016

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 15,594,405	\$ 15,594,405	\$ -	\$ -
Real estate investment funds	4,517,581	-	4,517,581	-
Common collective trusts	3,963,119	-	3,963,119	-
Mutual funds	24,637,716	-	24,637,716	-
Hedge fund of funds	6,505,048	-	-	6,505,048
Limited partnerships	<u>5,349,186</u>	<u>-</u>	<u>-</u>	<u>5,349,186</u>
Total	<u><u>\$ 60,567,055</u></u>	<u><u>\$ 15,594,405</u></u>	<u><u>\$ 33,118,416</u></u>	<u><u>\$ 11,854,234</u></u>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note D: Fair Value Measurements (Continued)

Fair Value Measurements at December 31, 2015

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 13,115,300	\$ 13,115,300	\$ -	\$ -
Real estate investment funds	4,183,501	-	4,183,501	-
Common collective trusts	6,670,445	-	6,670,445	-
Mutual funds	24,984,563	-	24,984,563	-
Hedge fund of funds	6,015,007	-	-	6,015,007
Limited partnerships	<u>3,881,233</u>	<u>-</u>	<u>-</u>	<u>3,881,233</u>
Total	<u><u>\$ 58,850,049</u></u>	<u><u>\$ 13,115,300</u></u>	<u><u>\$ 35,838,509</u></u>	<u><u>\$ 9,896,240</u></u>

Level 1 Fair Value Measurements

The fair value of common stock is based on quoted market prices.

Level 2 Fair Value Measurements

The common collective trusts and mutual funds are not traded in an active market or exchange. No cusip or ticker to access unit value. The fair value of the investment is determined by a daily calculated unit value, which is an observable input.

Real estate investment funds are valued based upon using a combination of internal valuations and third-party independent real estate appraisers selected by the Board of Directors to value real estate investments on a quarterly basis. Internal valuations are prepared quarterly using a combination of packaged software and proprietary models, which focus on discounted cash flow (DCF) and cap rate.

Level 3 Fair Value Measurements

The hedge fund of funds is valued based upon financial information supplied to the hedge fund advisor by management of each underlying hedge fund portfolio or its investment manager. The fund's investments consist principally of portfolios that are not located in the United States, and are represented by a diversified portfolio of private investment entities and/or entities separately managed accounts. The value of the investments represents the advisor's belief that the value provided by each entity is fairly stated as of the valuation date. The fair value of the limited partnerships is determined using a model that incorporates various inputs including projected cash flows.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note D: Fair Value Measurements (Continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of limited partnerships is based on appraised value.

Level 3 Gain and Losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets as follows:

	<u>Year ended December 31, 2016</u>	
	<u>Limited Partnerships</u>	<u>Hedge Fund of Funds</u>
Balance, beginning of year	\$ 3,881,233	\$ 6,015,007
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	675,091	291,045
Purchases, sales, issuances and settlements (net)	<u>792,862</u>	<u>198,996</u>
	<u><u>\$ 5,349,186</u></u>	<u><u>\$ 6,505,048</u></u>

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets as follows:

	<u>Year ended December 31, 2015</u>	
	<u>Limited Partnerships</u>	<u>Hedge Fund of Funds</u>
Balance, beginning of year	\$ 1,852,648	\$10,843,435
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	189,882	(303,685)
Purchases, sales, issuances and settlements (net)	<u>1,838,703</u>	<u>(4,524,743)</u>
	<u><u>\$ 3,881,233</u></u>	<u><u>\$ 6,015,007</u></u>

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note E: Investments

The Plan's investments are held by the trust department of Comerica Bank as custodian and managed by several investment management companies. The following schedule presents the fair value of those investments. Investments that represent 5% or more of the Plan's net assets are as follows:

	December 31,	
	2016	2015
RReef of America REIT II	\$ 4,474,282	\$ 4,134,900
Martingale Investment Trust Series I	3,350,411	3,002,931
Baird Aggregate Bond Fund	5,429,018	6,428,868
Vanguard FTSE Developed EFF Dev. Fund	3,978,142	3,882,942
Vanguard Inst. Index Fund	5,694,657	5,306,872
Entrust Capital Diversified Fund	3,442,528	3,994,031

During the Plan years ended December 31, 2016 and 2015, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by \$4,394,792 and \$(1,302,765), respectively.

	Years ended December 31,	
	2016	2015
Net appreciation (depreciation) in fair value:		
Common stocks	\$ 961,705	\$ 1,332,073
Real estate fund	233,686	546,264
Mutual fund	2,233,265	(3,067,299)
Hedge fund of funds	291,045	(303,685)
Limited partnerships	675,091	189,882
	\$ 4,394,792	\$ (1,302,765)

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note E: Investments (Continued)

The following is a comparison of cost to market value of investments other than cash at December 31, 2016:

	Market Value	Cost	Market Value Over (Under)
Common stocks	\$ 15,594,405	\$ 13,518,098	\$ 2,076,307
Real estate funds	4,517,581	4,580,012	(62,431)
Common collective trusts	3,963,119	3,612,708	350,411
Mutual funds	24,637,716	23,937,126	700,590
Hedge fund of funds	6,505,048	3,991,970	2,513,078
Limited partnerships	5,349,186	4,268,995	1,080,191
	\$ 60,567,055	\$ 53,908,909	\$ 6,658,146

Note F: Investments in Limited Partnerships

The Plan's investments include ownership interests in Limited Partnerships as follows:

Vintage VI Mgr, L.P.

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

The Limited Partnership invests in pooled investment vehicles that invest both domestically and internationally across all sectors of the private equity market.

The methodology by which gains and losses, net of expenses of the partnership are to be allocated is as follows:

- a) Net gain - Net profits shall be first allocated to the General Partner if net losses were allocated to the general partner pursuant to Note F(b) below with respect to the nonallocable net loss of the limited partners, until the cumulative amount of net profits allocated to the general partner pursuant to this Note F(a) for the then current and all previous accounting periods is equal to the cumulative amount of net losses allocated to the general partner pursuant to Note F(b) with respect to the nonallocable net loss of the limited partners for all previous accounting periods.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note F: Investments in Limited Partnerships (Continued)

Vintage VI Mgr, L.P.

- b) Net loss - Net losses, if any, for an accounting period shall be allocated to the Partners in proportion to their respective percentage interest as of the first day of that accounting period except that, to the extent that such an allocation of net losses to a limited partner would result in such limited partner having an adjusted capital account deficit at the end of any accounting period, such allocation of net losses (the “nonallocable net loss”) shall not be made but instead the nonallocable net loss shall be reallocated to the general partner. In the event any limited partner has an adjusted capital account deficit at the end of any fiscal year, such limited partner shall be specially allocated items of partnership income and gain in the amount of such excess as soon as practicable.

McMorgan Infra Structure Fund I, L.P.

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

The Limited Partnership invests directly or indirectly through one or more subsidiaries, to (a) acquire, improve, maintain, own, operate, manage, finance, refinance, hold, divide, aggregate, grant options with respect to, sell, reposition, exchange and otherwise deal in and with Portfolio Investments, (b) acquire, hold and dispose of Interim Investments, and (c) engage in any other activities necessary, related or incidental thereto.

The Partnership is a dedicated vehicle used to participate in the Global Strategic Investment Alliance (the “GSIA” or the “Alliance”) as a direct member of the Alliance. The GSIA is a co-investment program established by OMERS Strategic Investments Limited (“OMERS Strategic Investments”), an affiliate of OMERS Administration Corporation (“OMERS”), and others to bring together a limited number of sophisticated institutional investors to jointly invest up to \$20 billion large-scale infrastructure “Alpha Assets,” which are generally defined as large scale, capital-intensive assets with enterprise values in excess of \$2 billion. The GSIA intends to bring strategic and competitive advantages to Alliance Members through a substantial pool of institutional equity capital and an experienced asset originator and asset manager. All GSIA investments are identified, pursued and managed by Borealis Infrastructure Management, Inc. (“Borealis”), the infrastructure investment arm of OMERS, or its designated subsidiaries. Administrative support services to the GSIA are provided by Rosewater Global Limited, an affiliate of OMERS (the “Alliance Administrator”).

The methodology by which gains and losses, net of expenses of the partnership are to be allocated is as follows:

- a) Net gain - Net profits shall be first allocated to the General Partner if net losses were allocated to the general partner pursuant to Note F(b) below with respect to the nonallocable net loss of the limited partners, until the cumulative amount of net profits allocated to the general partner pursuant to this Note F(a) for the then current and all previous accounting periods is equal to the cumulative amount of net losses allocated to the general partner pursuant to Note F(b) with respect to the nonallocable net loss of the limited partners for all previous accounting periods.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note F: Investments in Limited Partnerships (Continued)

McMorgan Infra Structure Fund I, L.P.

- b) Net loss - Net losses, if any, for an accounting period shall be allocated to the Partners in proportion to their respective percentage interest as of the first day of that accounting period except that, to the extent that such an allocation of net losses to a limited partner would result in such limited partner having an adjusted capital account deficit at the end of any accounting period, such allocation of net losses (the “nonallocable net loss”) shall not be made but instead the nonallocable net loss shall be reallocated to the general partner. In the event any limited partner has an adjusted capital account deficit at the end of any fiscal year, such limited partner shall be specially allocated items of partnership income and gain in the amount of such excess as soon as practicable.

Note G: Net Investment Income

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

	2016	2015
Investment income (loss):		
Interest and dividends	\$ 982,517	\$ 897,809
Class action settlement	773	7,649
Net appreciation (depreciation) in fair value of investments	4,394,792	(1,302,765)
	5,378,082	(397,307)
Less – investment expense	279,961	288,798
	\$ 5,098,121	\$ (686,105)

Note H: Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated as prescribed by ERISA and its related regulations.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivors’ pension benefits. However, PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations.

Whether all participants receive their benefits should the Plan terminate at some time will depend on the sufficiency, at that time, of the Plan’s net assets to provide those benefits and may also depend on the level of benefits guaranteed by the Pension Benefit Guaranty Corporation.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note I: **Tax Status**

The trust established under the Plan to hold the Plan's assets is qualified and exempt from income taxes, pursuant to Sections 401(a) and 501(a) respectively, of the Internal Revenue code. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service and the Plan sponsor believes the Plan, as amended, continues to qualify and to operate as designed.

Note J: **Tax Uncertainties and Open Tax Years**

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

Note K: **Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In addition to investments and cash equivalents, financial instruments which potentially subject the Plan to concentrations of credit risk consist principally of cash. The Plan places its cash with tier I financial institutions. At times, the amount of cash on deposit in banks may be in excess of the respective financial institution's FDIC insurance limit.

Note L: **Reportable Transactions**

The United States Department of Labor requires all transactions in excess of 5% of the current value of the Plan's net assets for non-participant-directed investments to be disclosed separately in the financial statements as a reportable transaction.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND

NOTES TO FINANCIAL STATEMENTS

(Continued)

Note M: **Party-in-Interest Transactions**

Plan investments are held at Comerica Bank (the custodian). The transactions of the custodian qualify as party-in-interest transactions.

Fees paid during the year for legal, auditing, investment manager, investment advisor, and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

Note N: **Employer Withdrawal Liability**

The Fund complies with provisions of the Multi-Employer Pension Plan Amendments Act of 1980 that require imposition of "Withdrawal Liability" on a contributing employer that partially or totally withdraws from the Fund. The Fund uses the presumptive method, as described in ERISA 4211 (b), to allocate unfunded vested benefits to employers that withdraw. This is the method required by statute for use by construction industry plans.

Note O: **Derivative Financial Instruments**

The Board of Trustees has established an investment policy which permits the uses of derivative instruments by investment managers. The investment policy identifies the permissible uses of derivative instruments, and also expressly identifies those types of derivatives to be avoided. The Fund has entered into contractual arrangements classified as derivatives in carrying out its investment strategy, principally to hedge a portion of the Fund's portfolio to limit or minimize exposure to certain risks.

Note P: **Subsequent Events**

The date to which events occurring after December 31, 2016, the date of the most recent Statement of Net Assets Available for Benefits, have been evaluated for possible adjustments to the financial statements or disclosure is June 22, 2017, which is the date in which the financial statements were available to be issued.

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SUPPLEMENTAL SCHEDULES



John M. Grace, CPA
Bryan D. Stulz, CPA
George Benda, CPA
(1941-2007)



INDEPENDENT AUDITOR'S REPORT

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets held for investments and reportable transactions, together referred to as “supplemental information”, are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Benda, Grace, Stulz & Company, P.C.

Sterling Heights, Michigan
June 22, 2017

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
COMMON STOCK					
	Actuant Corp	7,800	Common stock	\$ 179,590	\$ 202,410
	Broadside Finl Solutions Inc	4,100	Common stock	185,587	271,830
	Brown & Brown Inc	7,800	Common stock	252,732	349,908
	C H Robinson Worldwide Inc	2,400	Common stock	150,780	175,824
	Cable One Inc	100	Common stock	32,227	62,173
	Cintas Corp	1,100	Common stock	64,770	127,116
	Equifax Inc	750	Common stock	53,014	88,673
	Fastenal Co	3,000	Common stock	113,728	140,940
	Grace Inc	1,500	Common stock	103,056	124,635
	Hillenbrand Inc	6,000	Common stock	180,663	230,100
	LPL Financial Holdings Inc	7,800	Common stock	212,758	274,638
	Landstar System Inc	2,300	Common stock	149,893	196,190
	Legg Mason Inc	10,800	Common stock	374,836	323,028
	Markel Corp	125	Common stock	87,906	113,063
	Matthews Intl Corp	3,700	Common stock	162,699	284,345
	McCormick & Co	1,400	Common stock	104,948	130,662
	Now Inc	6,000	Common stock	116,537	122,820
	Post Holdings Inc	1,700	Common stock	81,117	136,663
	Stericycle Inc	1,750	Common stock	138,535	134,820
	Waters Corp	950	Common stock	111,759	127,670
	Western Un Co	14,000	Common stock	239,330	304,080
	Wiley John & Sons Inc	5,200	Common stock	259,077	283,400
	I H S Markit Ltd	2,756	Common stock	90,617	97,589
	Willis Towers Watson PLC	2,700	Common stock	311,931	330,156
	Agco Corp	1,063	Common stock	41,411	61,505
	AT&T Inc	3,087	Common stock	107,391	131,290
	Aetna Inc	301	Common stock	34,168	37,327
	Amtrust Finl Svcs	2,447	Common stock	63,769	66,999
	Applied Matls Inc	2,281	Common stock	55,536	73,608
	Archer Daniels Midland Co	1,637	Common stock	74,025	74,729
	Baker Hughes Inc	600	Common stock	35,277	38,982
	Bank of America Corp	6,417	Common stock	100,304	141,816
	Bank of New York Mellon Corp	1,286	Common stock	62,551	60,931
	Baxter Intl Inc	1,692	Common stock	69,706	75,023
	Berkshire Hathaway	927	Common stock	120,413	151,082
	CA Inc	1,695	Common stock	51,346	53,850
	Chesapeake Energy Corp	7,424	Common stock	56,422	52,116

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
COMMON STOCK-Continued					
	Chevron Corporation	1,098	Common stock	83,106	129,235
	Cisco Sys Inc	3,260	Common stock	89,382	98,517
	Citigroup Inc	2,109	Common stock	104,093	125,338
	Colgate Palmolive	481	Common stock	35,976	31,477
	Comerica Inc	1,046	Common stock	54,277	71,243
	Concho Res Inc	388	Common stock	54,632	51,449
	Consolidated Edison	756	Common stock	55,140	55,702
	Discover Finl Svcs	1,167	Common stock	67,502	84,129
	Discovery Communications Inc	1,483	Common stock	38,413	40,649
	Dow Chemical	1,029	Common stock	49,581	58,879
	Energen Corp	730	Common stock	42,677	42,099
	Exelon Corporation	2,007	Common stock	64,394	71,228
	Exxon Mobil Corporation	2,230	Common stock	183,355	201,280
	Facebook Inc	437	Common stock	47,871	50,277
	Fedex Corp	216	Common stock	25,528	40,219
	Fifth Third Bancorp	2,538	Common stock	54,208	68,450
	FirsEnergy Corp	1,898	Common stock	63,263	58,781
	General Dynamics Corp	249	Common stock	35,358	42,992
	General Electric Co	4,554	Common stock	106,534	143,906
	General Motors	2,344	Common stock	78,213	81,665
	Goldman Sachs Group Inc	497	Common stock	81,233	119,007
	HCA Holdings Inc	557	Common stock	40,790	41,229
	Helmerich & Payne Inc	634	Common stock	38,169	49,072
	Intel Corp	1,825	Common stock	61,643	66,193
	J P Morgan Chase & Co	2,836	Common stock	158,678	244,718
	Johnson & Johnson	1,602	Common stock	162,690	184,566
	Lear Corp	298	Common stock	28,252	39,446
	Lincoln Natl Corp	1,091	Common stock	74,346	72,301
	Manpower Inc Wis	476	Common stock	36,683	42,302
	Merck & Co Inc	1,338	Common stock	64,878	78,768
	Microsoft Corp	644	Common stock	38,346	40,018
	Molson Coors Brewing Co	414	Common stock	41,169	40,286
	Morgan Stanley	1,319	Common stock	51,838	55,728
	National Oilwell Varco Inc	1,055	Common stock	44,588	39,499
	Oracle Corporation	1,684	Common stock	66,414	64,750
	Oshkosh Truck Corp	1,050	Common stock	42,884	67,841
	Pfizer Inc	2,558	Common stock	78,743	83,084

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
COMMON STOCK-Continued					
	Philip Morris Intl Inc	332	Common stock	32,009	30,375
	Phillips 66	398	Common stock	27,269	34,391
	Pitney Bowes Inc	3,353	Common stock	66,229	50,932
	Procter & Gamble Co	1,398	Common stock	110,950	117,544
	Prudential Financial Inc	334	Common stock	32,550	34,756
	Qualcomm Inc	799	Common stock	53,725	52,095
	Reinsurance Group of America	532	Common stock	54,022	66,942
	Reliance Steel & Aluminum Co	868	Common stock	45,638	69,041
	Skechers USA Inc	1,877	Common stock	53,020	46,137
	State Street Corp	666	Common stock	52,232	51,762
	Terex Corp	1,738	Common stock	39,182	54,799
	Textron Inc	1,311	Common stock	51,510	63,662
	Thermo Fisher Scientific Inc	303	Common stock	45,807	42,753
	Tyson Foods Inc	902	Common stock	54,463	55,635
	Unumprovident Corp	1,331	Common stock	47,337	58,471
	Valero Energy Corp	1,052	Common stock	53,958	71,873
	Verizon Communications	1,617	Common stock	83,269	86,315
	WEC Energy Group Inc	1,207	Common stock	62,826	70,791
	Wal Mart Stores Inc	744	Common stock	52,093	51,425
	Walgreens Boots Alliance Inc	598	Common stock	50,836	49,490
	Wells Fargo & Co	818	Common stock	35,489	45,080
	Whirlpool Corp	156	Common stock	24,794	28,356
	World Fuel Services Corp	1,310	Common stock	49,951	60,142
	Wyndham Worldwide Corp	592	Common stock	40,607	45,211
	Xcel Energy Inc	1,958	Common stock	69,911	79,691
	Xerox Corp	6,250	Common stock	56,854	54,563
	Zimmer Biomet Holdings Inc	349	Common stock	32,986	36,017
	Apache Corp	2,677	Common stock	138,424	169,909
	Apatargroup Inc	651	Common stock	42,924	47,816
	Archer Daniels Midland Co	2,347	Common stock	103,918	107,141
	Ashland Global Hldgs	1,069	Common stock	116,984	116,831
	BOK Finl Corp	998	Common stock	66,091	82,874
	Borg Warner	3,860	Common stock	131,342	152,238
	Brinker Intl Inc	3,030	Common stock	139,837	150,076
	Cigna Corp	630	Common stock	79,110	84,036
	Cardinal Health Inc	1,190	Common stock	87,869	85,644
	Citizens Finl Group Inc	4,202	Common stock	103,304	149,717

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
COMMON STOCK-Continued					
	Cognizant Technology Solutions	1,830	Common stock	97,253	102,535
	DST Systems Inc	1,559	Common stock	165,731	167,047
	Discovery Communications Inc	5,704	Common stock	170,507	156,347
	EQT Corp	2,455	Common stock	141,904	160,557
	Enterty Corp	1,903	Common stock	134,751	139,813
	FMC Corp	1,245	Common stock	48,954	70,417
	FMC Technologies	4,380	Common stock	115,971	155,621
	F5 Networks Inc	443	Common stock	56,267	64,111
	FNF Group	5,140	Common stock	175,330	174,554
	Fifth Third Bancorp	5,410	Common stock	113,046	145,908
	Franklin Res Inc	3,132	Common stock	139,857	123,965
	Gentex Corp	5,530	Common stock	83,588	108,886
	Healthsouth Corp	3,404	Common stock	139,200	140,381
	Interpulic Group Cos Inc	3,980	Common stock	83,295	93,172
	Jones Lang LaSalle Inc	1,496	Common stock	179,042	151,156
	LAM Resh Corp	650	Common stock	45,587	68,725
	Michaels Cos Inc	6,680	Common stock	153,516	136,606
	Nisource Inc	3,860	Common stock	81,581	81,475
	Northern Trust Corp	1,410	Common stock	98,284	125,561
	Pinnacle West Capital Corp	830	Common stock	51,607	64,765
	Pioneer Natural Resources Co	375	Common stock	46,398	67,526
	Public Enterprise Group Inc	3,490	Common stock	135,425	153,141
	Quintiles Transnational Hldgs	680	Common stock	43,452	51,714
	Robert Half Intl Inc	1,630	Common stock	102,531	128,290
	Sabre Corp	5,700	Common stock	155,868	142,215
	Spirit Aerosystems Hldgs Inc	2,490	Common stock	114,856	145,292
	Synopsys Inc	1,173	Common stock	52,605	69,043
	Universal Health Svcs Inc	1,459	Common stock	168,757	155,208
	Whole Foods Mkt Inc	4,220	Common stock	130,757	129,807
	Axalta Coating Systems Ltd	3,430	Common stock	88,432	93,296
	Invesco Ltd	5,090	Common stock	148,353	154,430
	White Mountain Insurance	183	Common stock	123,885	152,997
	Ryman Hospitality Pptys Inc	2,517	Common stock	110,026	158,596
	Weyerhaeuser Co	4,038	Common stock	110,733	121,504
	Brixmor Ppty Group Inc	2,436	Common stock	63,009	59,487
	Equity Residential	981	Common stock	66,542	63,137
	Prologis Inc	1,646	Common stock	62,154	86,893

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
COMMON STOCK-Continued					
	Public Storage Inc	212	Public Storage Inc	54,468	47,382
	TOTAL COMMON STOCK			13,518,098	15,594,405
LIMITED PARTNERSHIP					
	Goldman Sachs McMorgan & Company	1 2,079,362	Vintage VI Mgr, L.P. McMorgan Infrastructure Fund, I L.P.	2,189,633 2,079,362	2,714,361 2,634,825
	TOTAL LIMITED PARTNERSHIP			4,268,995	5,349,186
REAL ESTATE FUNDS					
	Reef of America REIT II Intercontinental Real Estate Corp	38,766 43,299	Real Estate Investment Fund Intercontinental REIF IV	3,538,752 1,041,260	4,474,282 43,299
	TOTAL REAL ESTATE FUNDS			4,580,012	4,517,581
COMMON COLLECTIVE TRUSTS					
*	Comerica Bank Martingale Investment Trust	612,708 223,602	Short Term Fund Martingale Investment Trust Series 1	612,708 3,000,000	612,708 3,350,411
	TOTAL COMMON COLLECTIV E TRUSTS			3,612,708	3,963,119
103-12 INVESTMENT ENTITY					
	Brandywine Asset Management	58,859	Global Fixed Income & Business Investment Trust	1,325,165	2,313,759
MUTUAL FUNDS					
	Baird Nuveen Vanguard	507,385 124,564 338,854	Aggregate Bond Fund Symphony Floting-I FTSE Developed ETF DeV Mkt Indx-Adm	5,454,231 2,456,243 4,358,667	5,429,018 2,475,083 3,978,142

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS HELD FOR INVESTMENT
EIN 38-6222545 Plan No. 001
December 31, 2016

Party-In-Interest	Identity of Issue, Borrower, Lessor, Or Similar Party	Par or No. Of Shares	Description of Investments Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
MUTUAL FUNDS-Continued					
	Vanguard	27,938	Inst Index Fund	5,365,782	5,694,657
	Copper Rock International	151,873	Small Cap Fund	2,477,038	2,380,357
	Collective Inv Funds	251,509	Equity Fund	2,500,000	2,366,700
	TOTAL MUTUAL FUND			22,611,961	22,323,957
OTHER					
	Entrust Capital	1,317,717	Entrust Capital Diversified Fund Ltd	1,317,717	3,442,528
	Entrust Capital	2,674,253	Entrust Special Opportunities Fund III Ltd	2,674,253	3,062,520
	TOTAL OTHER			3,991,970	6,505,048
	TOTAL ASSETS HELD FOR INVESTMENT			\$ 53,908,909	\$ 60,567,055

OUTSTATE MICHIGAN TROWEL TRADES PENSION FUND
 SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
 EIN 38-6222545 Plan No. 001
 Year Ended December 31, 2016

Identity of Party Involved	Description of Asset (Include Rate of Return and Maturity in Case of Loan)	Purchase Price	Selling Price	Lease Rental	Expense Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
iii) SERIES OF TRANSACTIONS IN EXCESS OF 5% OF THE CURRENT VALUE OF PLAN ASSETS								
Comerica	Goldman Sachs FS Government Fund							
	354 Purchases	4,539,260				4,539,260	4,539,260	
	123 Sales		5,185,646			5,185,646	5,185,646	-

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