

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
MARCH 31, 2017

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***Includes Active Plan and Retiree Plan**

**HEALTH & WELFARE FUND
FINANCIAL REPORT
March 31, 2017 and the Three Months Then Ended
(Dollars in Thousands)**

1. Net assets were \$5,146,590 at March 31, 2017, compared to \$5,044,907 at December 31, 2016, an increase of \$101,683 compared to an increase of \$179,133 for the same period last year.

The \$77,450 difference is due to \$101,790 less net operating income offset by \$24,340 more net investment income.

2. A comparison of Full-Time Equivalent (FTE) actives and retirees follows:

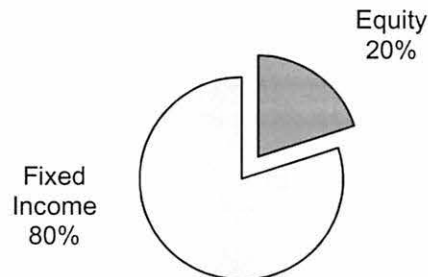
	Actives	Retirees
As of:		
February 2017	190,033	6,512
December 2016	189,506	6,331
Two-month average:		
February 2017	189,795	6,386
February 2016	188,804	6,213
% increase	0.52%	2.78%

3. For the three months ended March 2017, the Fund's net operating gain was \$9,726 compared to a gain of \$111,516 for the same period in 2016, or a \$101,790 unfavorable change:

- (\$22,349) less contributions primarily due to an extra week in 2016, offset by increases in rates,
- (\$78,306) more benefits,
- (\$428) more TeamCare administrative fees and
- (\$707) more general and administrative expenses.

4. During the three months ended March 2017 and 2016, the Fund transferred \$114,630 and \$125,770, respectively, to investments as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of March 31, 2017:



Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Position
 March 31, 2017
 (Dollar amounts in thousands)

	March 31, 2017	December 31, 2016 (1)	Change in Net Assets	
			Dollars	Percentage
Total investments, net	\$ 5,434,898	5,227,480	207,418	4.1
Investment related assets	1,384,808	1,208,837	175,971	3.5
Employer contributions receivable, net	248,307	314,320	(66,013) (2)	(1.3)
Other assets	<u>28,657</u>	<u>62,185</u>	<u>(33,528)</u>	<u>(0.7)</u>
Total assets	<u>7,096,670</u>	<u>6,812,822</u>	<u>283,848</u>	<u>5.6</u>
Investment related liabilities	1,387,628	1,211,633	(175,995)	(3.5)
Estimated benefits	387,512	427,297	39,785	0.8
Other liabilities	<u>174,940</u>	<u>128,985</u>	<u>(45,955)</u>	<u>(0.9)</u>
Total liabilities	<u>1,950,080</u>	<u>1,767,915</u>	<u>(182,165)</u>	<u>(3.6)</u>
NET ASSETS	<u>\$ 5,146,590</u>	<u>5,044,907</u>	<u>101,683</u>	<u>2.0</u>

Note(s):

(1) Does not include final year end adjustments.

(2) Primarily a four week billing period for March 2017 compared to a five week billing period for December 2016.

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations
 March 31, 2017
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2017	2016	Dollars	Percentage
<u>INCOME & EXPENSES</u>				
Contributions	\$ 756,081	775,355	(19,274) (1)	(2.5)
Recognized portion of UPS lump sum	18,378	21,453	(3,075)	(14.3)
Benefits	726,716	648,410	(78,306)	(12.1)
TeamCare administrative fees	19,578	19,150	(428)	(2.2)
General and administrative expenses	<u>18,439</u>	<u>17,732</u>	<u>(707)</u>	(4.0)
Operating gain(loss)	9,726	111,516	(101,790)	N/A
Net investment income(loss)	<u>91,957</u>	<u>67,617</u>	<u>24,340</u>	N/A
Change in net assets	<u>\$ 101,683</u>	<u>179,133</u>	<u>(77,450)</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	96.1 %	83.6 %		
General and administrative expenses to:				
Contributions	2.4 %	2.3 %		
Benefits	2.5 %	2.7 %		
Two-month average FTEs (2)	189,795	188,804		
Contributions per average FTE	\$ 3,984	4,107		
Benefits per average FTE	\$ 3,829	3,434		

Note(s):

- (1) Primarily an extra week in 2016, offset by increases in rates.
 (2) Reflects revised Operations Group FTE methodology.

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Current and Projected Operations
 March 31, 2017
 (Dollar amounts in thousands)

	Actual through March 2017	April 2017	Projection Remainder of 2017	Year Ending December 2017
Contributions	\$ 756,081	314,500	2,270,219	3,340,800
Recognized portion of UPS lump sum	18,378	6,100	49,022	73,500
Benefits	726,716	235,400	1,873,384	2,835,500
TeamCare administrative fees	19,578	6,800	54,722	81,100
General and administrative expenses	<u>18,439</u>	<u>6,200</u>	<u>49,761</u>	<u>74,400</u>
Operating gain(loss)	9,726	72,200	341,374	423,300
Net investment income(loss)	<u>91,957</u>	<u>13,600</u>	<u>111,643</u>	<u>217,200</u>
Change in net assets	<u>\$ 101,683</u>	<u>85,800</u>	<u>453,017</u>	<u>640,500</u>

Assumptions used in 2017 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 7% per FTE.

General and administrative expenses - Actual expenses to date plus 2% increase over 2016 expenses for remaining months.

Investment income - Actual return earned to date plus remaining months annualized return of 3%.

Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Net Assets
(In thousands)

	March 31, 2017	December 31, 2016	(1)	2015
ASSETS				
Investments:				
Cash equivalents	\$ 1,259,636	906,208		859,477
U. S. government and government agency debt	1,598,137	1,890,482		1,622,335
Corporate debt	1,526,059	1,441,323		1,343,454
U.S. equity	158,109	151,211		121,841
International equity	259,699	241,750		207,613
Commingled equity index fund	696,687	689,690		597,323
Total investments	5,498,327	5,320,664		4,752,043
Receivables:				
Employer contributions, less allowance for uncollectible contributions (2)	248,307	314,320		243,916
Other, primarily investment related	41,430	59,042		42,034
Total receivables	289,737	373,362		285,950
Cash	323	480		87
Assets held in securities lending program	1,384,808	1,208,837		575,644
Other, primarily furniture and equipment - net	6,228	5,909		9,895
Total assets	7,179,423	6,909,252		5,623,619
LIABILITIES				
Estimated benefits (3)	387,512	427,297	(4)	400,772
Liability to return collateral held under securities lending agreements	1,384,808	1,208,837		575,734
Checks drawn against future deposits	12,639	11,629		11,410
Payable for securities purchased	82,753	96,430		115,314
Accounts payable and accrued expenses (5)	165,121	120,152		204,321
Total liabilities	2,032,833	1,864,345		1,307,551
NET ASSETS	\$ 5,146,590	5,044,907		4,316,068
Note(s):				
(1) Does not include final year end adjustments.				
(2) Allowance for uncollectible contributions:	\$ 3,858	3,669		2,581
(3) Includes estimated claims liability adjustments:	\$ 0	0		95,481
(4) Includes 2016 claims of \$39.8 million paid in January 2017.				
(5) Includes deferred UPS revenue:	\$ 82,651	101,029		186,841

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Central States, Southeast and Southwest Areas Health and Welfare Fund Active Plan
Statement of Net Assets
(In thousands)

	March 31, 2017	December 31, 2016	(1)	2015
ASSETS				
Investments:				
Cash equivalents	\$ 1,259,636	906,208		859,477
U. S. government and government agency debt	1,598,137	1,890,482		1,622,335
Corporate debt	1,526,059	1,441,323		1,343,454
U.S. equity	158,109	151,211		121,841
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Cash	323	480		87
Assets held in securities lending program	1,384,808	1,208,837		575,644
Other, primarily furniture and equipment - net	6,228	5,909		9,895
Total assets	7,179,423	6,909,252		5,623,619
LIABILITIES				
Estimated benefits (3)	376,319	416,104	(4)	389,579
Interest in assets of Retiree Plan	397,349	363,512		199,448
Liability to return collateral held under securities lending agreements	1,384,808	1,208,837		575,734
Checks drawn against future deposits	12,639	11,629		11,410
Payable for securities purchased	82,753	96,430		115,314
Accounts payable and accrued expenses (5)	165,121	120,152		204,321
Total liabilities	2,418,989	2,216,664		1,495,806
NET ASSETS	\$ 4,760,434	4,692,588		4,127,813
Note(s):				
(1) Does not include final year end adjustments.				
(2) Allowance for uncollectible contributions:	\$ 3,858	3,669		2,581
(3) Includes estimated claims liability adjustments:	\$ 0	0		92,745
(4) Includes 2016 claims of \$39.8 million paid in January 2017.				
(5) Includes deferred UPS revenue:	\$ 82,651	101,029		186,841

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Central States, Southeast and Southwest Areas Health and Welfare Fund Retiree Plan
Statement of Net Assets
(In thousands)

	March 31, 2017	December 31,	
		2016	(1) 2015
ASSETS			
Interest in assets of Active Plan	\$ 397,349	363,512	199,448
Current benefit obligations			
Claims incurred but not reported	11,193	11,193	11,193
NET ASSETS	<u>\$ 386,156</u>	<u>352,319</u>	<u>188,255</u>

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Changes in Net Assets
(In thousands)

	March		Three Months Ended March	
	2017	2016	2017	2016
Revenue:				
Contributions	\$ 250,637	239,090	756,081	775,355
Recognized portion of UPS lump sum	6,126	7,151	18,378	21,453
Total revenue	256,763	246,241	774,459	796,808
 Benefits and expenses:				
Benefits	263,407	250,997	726,716	648,410
TeamCare administrative fees	6,298	6,522	19,578	19,150
General and administrative expenses	6,368	6,085	18,439	17,732
Total benefits and expenses	276,073	263,604	764,733	685,292
Operating gain(loss)	(19,310)	(17,363)	9,726	111,516
 Investment income(loss):				
Interest and dividends	9,799	8,813	26,533	23,983
Realized and unrealized gain(loss) on investments, net	1,176	82,699	67,642	45,360
Investment expenses	(650)	(590)	(2,218)	(1,726)
Net investment income(loss)	10,325	90,922	91,957	67,617
Change in net assets	(8,985)	73,559	101,683	179,133
 NET ASSETS:				
Beginning of period	5,155,575	4,421,642	5,044,907	4,316,068
End of period	\$ 5,146,590	4,495,201	5,146,590	4,495,201

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Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Changes in Net Assets
(In thousands)

	Years Ended				
	2016	(1)	2015	2014	2013
Revenue:					
Contributions	\$ 3,251,235		2,973,546	2,095,455	1,282,118
Recognized portion of UPS lump sum	85,812		98,112	1,428,917	0
Total revenue	3,337,047		3,071,658	3,524,372	1,282,118
Benefits and expenses:					
Benefits	2,638,936		2,430,448	1,706,828	1,119,110
TeamCare administrative fees	77,612		73,573	54,105	33,514
General and administrative expenses	73,107		67,057	67,328 (2)	43,224
Total benefits and expenses	2,789,655		2,571,078	1,828,261	1,195,848
Operating gain(loss)	547,392		500,580	1,696,111	86,270
Investment income(loss):					
Interest and dividends	99,689		65,839	35,738	35,044
Realized and unrealized gain(loss) on investments, net	89,197		(65,274)	72,639	98,082
Investment expenses	(7,439)		(4,818)	(1,819)	(840)
Net investment income(loss)	181,447		(4,253)	106,558	132,286
Change in net assets	728,839		496,327	1,802,669	218,556
NET ASSETS:					
Beginning of period	4,316,068		3,819,741	2,017,072	1,798,516
End of period	\$ 5,044,907		4,316,068	3,819,741	2,017,072

Note(s):

(1) Does not include final year end adjustments.

(2) Includes transitional reinsurance fee of \$11,735.

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Central States, Southeast and Southwest Areas Health and Welfare Fund Active Plan
Statement of Changes in Net Assets
(In thousands)

	March	Three Months Ended March	Years Ended	
	2017	2017	2016	(1) 2015
Revenue:				
Contributions	\$ 230,012	694,500	3,140,932	2,972,722
Recognized portion of UPS lump sum	6,126	18,378	85,812	98,112
Total revenue	236,138	712,878	3,226,744	3,070,834
Benefits and expenses:				
Benefits	251,527	694,067	2,518,209	2,324,450
TeamCare administrative fees	6,015	18,691	74,053	70,336
General and administrative expenses	6,082	17,604	69,788	64,107
Total benefits and expenses	263,624	730,362	2,662,050	2,458,893
Operating gain(loss)	(27,486)	(17,484)	564,694	611,941
Retiree Plan Funding	0	0	(173,000)	(220,000)
Net investment income(loss)	9,560	85,330	173,081	(4,066)
Change in net assets	(17,926)	67,846	564,775	387,875
NET ASSETS:				
Beginning of period	4,778,360	4,692,588	4,127,813	3,739,938
End of period	\$ 4,760,434	4,760,434	4,692,588	4,127,813

Note(s):

(1) Does not include final year end adjustments.

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Central States, Southeast and Southwest Areas Health and Welfare Fund Retiree Plan
Statement of Changes in Net Assets
(In thousands)

	March	Three Months Ended March	Years Ended	
	2017	2017	2016	(1) 2015
Contributions	\$ 20,625	61,581	110,303	824
Benefits and expenses:				
Benefits	11,880	32,649	120,727	105,998
TeamCare administrative fees	283	887	3,559	3,237
General and administrative expenses	286	835	3,319	2,950
Total benefits and expenses	<u>12,449</u>	<u>34,371</u>	<u>127,605</u>	<u>112,185</u>
Operating gain(loss)	8,176	27,210	(17,302)	(111,361)
Retiree Plan Funding Transfer	0	0	173,000	220,000
Net investment income(loss)	<u>765</u>	<u>6,627</u>	<u>8,366</u>	<u>(187)</u>
Change in net assets	8,941	33,837	164,064	108,452
NET ASSETS:				
Beginning of period	<u>377,215</u>	<u>352,319</u>	<u>188,255</u>	<u>79,803</u>
End of period	<u>\$ 386,156</u>	<u>386,156</u>	<u>352,319</u>	<u>188,255</u>

Note(s):

(1) Does not include final year end adjustments.

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Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	March		Three Months Ended March	
	2017	2016	2017	2016
Operations:				
Contributions	\$ 254,896	241,004	822,088	778,290
Benefits paid, net (1)	(202,387)	(222,065)	(670,437)	(619,695)
	52,509	18,939	151,651	158,595
Payroll	(3,265)	(2,552)	(9,219)	(8,411)
Employee benefits	(1,429)	(1,341)	(4,610)	(4,359)
Fees, services and software (primarily TeamCare)	(6,917)	(6,772)	(22,091)	(20,179)
Rent	(262)	(255)	(786)	(763)
Office	(610)	(541)	(1,981)	(2,218)
Other	(254)	1,996	1,503	3,225
	(12,737)	(9,465)	(37,184)	(32,705)
Net from operations	39,772	9,474	114,467	125,890
Investments, net	(39,837)	(9,386)	(114,624)	(125,763)
Change in cash	(65)	88	(157)	127
Cash:				
Beginning of period	388	126	480	87
End of period	\$ 323	214	323	214
Note(s):				
(1) Includes change in overdraft of:	\$ 792	(150)	1,010	859

FOR INTERNAL USE ONLY

Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	Years Ended			
	2016	2015	2014	2013
Operations:				
Contributions	\$ 3,179,305	2,924,805	2,009,387	1,288,752
UPS lump sum	0	0	1,713,870	0
Benefits paid, net (1)	<u>(2,622,186)</u>	<u>(2,338,290)</u>	<u>(1,615,150)</u>	<u>(1,117,059)</u>
	<u>557,119</u>	<u>586,515</u>	<u>2,108,107</u>	<u>171,693</u>
Payroll	(35,247)	(31,516)	(26,720)	(20,268)
Employee benefits	(17,819)	(15,630)	(13,732)	(10,154)
Fees, services and software (primarily TeamCare)	(82,165)	(77,970)	(56,233)	(37,566)
Rent	(3,022)	(2,962)	(2,852)	(2,117)
Office (2)	(8,079)	(19,335)	(6,030)	(4,724)
Other	2,308	(1,697)	(5,677)	(4,877)
	<u>(144,024)</u>	<u>(149,110)</u>	<u>(111,244)</u>	<u>(79,706)</u>
Net from operations	413,095	437,405	1,996,863	91,987
Investments, net	<u>(412,702)</u>	<u>(437,393)</u>	<u>(1,996,820)</u>	<u>(92,292)</u>
Change in cash	393	12	43	(305)
Cash:				
Beginning of period	<u>87</u>	<u>75</u>	<u>32</u>	<u>337</u>
End of period	<u>\$ 480</u>	<u>87</u>	<u>75</u>	<u>32</u>

Note(s):

(1) Includes change in overdraft of:	\$ 219	2,487	4,062	483
(2) Includes transitional reinsurance fee:	\$ 0	11,735	0	0

Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
June 2014 Through February 2017

