

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
JUNE 30, 2017

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**PENSION FUND
FINANCIAL REPORT**
June 30, 2017 and the Six Months Then Ended
Dollars in Thousands

1. Net assets were \$15,287,355 at June 30, 2017, compared to \$15,267,533 at December 31, 2016, an increase of \$19,822 compared to a decrease of \$500,093 for the same period last year.

The \$519,915 difference is due to \$552,951 more net investment income offset by \$33,036 more net operating loss.

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

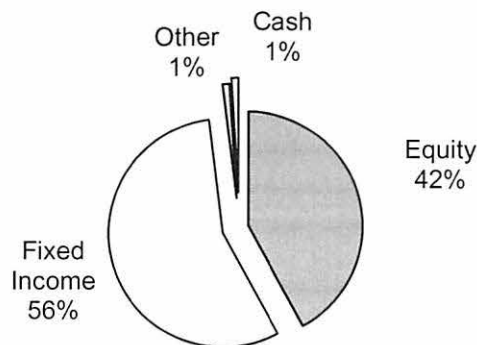
	Actives	Retirees
As of:		
May 2017	58,080	202,222
December 2016	58,657	203,457
Five-month average:		
May 2017	57,883	202,822
May 2016	58,780	204,698
% decrease	(1.53)%	(0.92)%

3. For the six months ended June 2017, the Fund's net operating loss was \$1,076,033 compared to a loss of \$1,042,997 for the same period in 2016, or a \$33,036 unfavorable change:

- (\$34,874) less contributions primarily due to a decrease in withdrawal liability revenue in 2017 and an extra billing week in 2016,
- \$264 less benefits and
- \$1,574 less general and administrative expenses.

4. During the six months ended June 2017 and 2016, the Fund withdrew \$1,257,871 and \$1,029,063 respectively, from investment assets to fund the cash operating deficit.

5. Investment asset allocation as of June 30, 2017:



Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Position
June 30, 2017
(Dollar amounts in thousands)

	June 30, 2017	December 31, 2016	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 1,156,629	798,514	358,115	2.3
Fixed income	7,905,373	4,434,445	3,470,928	22.7
Equity	6,648,180	9,474,397	(2,826,217)	(18.5)
Other	203,707	466,901	(263,194)	(1.7)
Total investments	15,913,889	15,174,257	739,632	4.8
Investment related assets	2,761,613	2,006,021	755,592	5.0
Employer contributions receivable, net	62,828	74,176	(11,348)	(0.1)
Other assets	226,192	8,044	218,148 (1)	1.4
Total assets	18,964,522	17,262,498	1,702,024	11.1
Investment related liabilities	3,583,839	1,929,463	(1,654,376)	(10.8)
Other liabilities	93,328	65,502	(27,826)	(0.2)
Total liabilities	3,677,167	1,994,965	(1,682,202)	(11.0)
NET ASSETS	\$ 15,287,355	15,267,533	19,822	0.1

Note(s):

(1) Includes timing for EFT funding and related withholdings of \$219 million.

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Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Operations
June 30, 2017
(Tabular dollar amounts in thousands)

	<u>Year-to-Date</u>		<u>Change from Prior Year</u>	
	<u>2017</u>	<u>2016</u>	<u>Dollars</u>	<u>Percentage</u>
<u>INCOME & EXPENSES</u>				
Contributions (includes W/L)	\$ 351,153	386,027	(34,874) (1)	(9.0)
Benefits	1,404,712	1,404,976	264	-
General and administrative expenses	<u>22,474</u>	<u>24,048</u>	<u>1,574</u>	6.5
Operating gain(loss)	(1,076,033)	(1,042,997)	(33,036)	N/A
Net investment income(loss)	<u>1,095,855</u>	<u>542,904</u>	<u>552,951</u>	N/A
Change in net assets	<u>\$ 19,822</u>	<u>(500,093)</u>	<u>519,915</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	400.0 %	364.0 %		
General and administrative expenses to:				
Contributions	6.4 %	6.2 %		
Benefits	1.6 %	1.7 %		
Five-month average FTEs	57,883	58,780		
Contributions per average FTE	\$ 6,067	6,567		
Benefits per average FTE	\$ 24,268	23,902		
Pensioners and beneficiaries - current month	202,266	203,950		
Current month average benefit per pensioner and beneficiary	\$ 1,155	1,142		

Note(s):

(1) Decrease in withdrawal liability revenue in 2017 and an extra billing week in 2016.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Current and Projected Operations
 June 30, 2017
 (Dollar amounts in thousands)

	Actual through June 2017	Projection		
		July 2017	Remainder of 2017	Year Ending December 2017
Contributions (includes W/L)	\$ 351,153	69,900	289,747	710,800
Benefits	1,404,712	234,800	1,173,788	2,813,300
General and administrative expenses	<u>22,474</u>	<u>4,000</u>	<u>20,326</u>	<u>46,800</u>
Operating gain(loss)	\$ <u><u>(1,076,033)</u></u>	<u><u>(168,900)</u></u>	<u><u>(904,367)</u></u>	<u><u>(2,149,300)</u></u>

Assumptions Used in 2017 Projections

Contributions - No change in plan mix and \$110.5 million in estimated withdrawal liability income.

Benefits - Level benefits.

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

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

	June 30, 2017	December 31,	
		2016	2015
ASSETS			
Investments:			
Cash equivalents	\$ 1,156,629	798,514	620,846
Fixed income	7,905,373	4,434,445	4,689,031
Equity	6,648,180	9,474,397	10,054,750
Other, primarily real estate related	203,707	466,901	687,073
Total investments	15,913,889	15,174,257	16,051,700
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	62,828	74,176	72,206
Interest and dividends	63,044	54,569	57,278
Other, primarily for securities sold	172,836	317,636	360,790
Total receivables	298,708	446,381	490,274
Cash	357	545	1,518
Assets held in securities lending program	2,525,906	1,634,039	1,882,083
Other, primarily furniture and equipment - net (2)	225,662	7,276	8,084
Total assets	18,964,522	17,262,498	18,433,659
LIABILITIES			
Liability to return collateral held under securities lending agreements	2,525,906	1,634,039	1,882,083
Payable for securities purchased	1,047,916	285,277	350,687
Accounts payable and accrued expenses (3)	99,289	71,727	69,044
Deferred withdrawal liability receipts	4,056	3,922	5,637
Total liabilities	3,677,167	1,994,965	2,307,451
NET ASSETS	\$ 15,287,355	15,267,533	16,126,208
Note(s):			
(1) Allowance for uncollectible contributions:	\$ 65,885	65,932	71,779
Reserve for YRC included in above allowance:	\$ 55,509	55,509	59,862
(2) Includes timing for EFT funding and related withholdings:	\$ 219,330	0	0
(3) Includes a liability for 401(h) plan assets:	\$ 57,022	52,842	48,347

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

	June		Six Months Ended June	
	2017	2016	2017	2016
Revenue:				
Contributions	\$ 45,338	50,745	286,451	297,641
Withdrawal liability	8,553	18,549	64,702	88,386
Total revenue	<u>53,891</u>	<u>69,294</u>	<u>351,153</u>	<u>386,027</u>
Benefits and expenses:				
Benefits to participants	234,466	234,207	1,404,712	1,404,976
General and administrative expenses	3,812	4,138	22,474	24,048
Total benefits and expenses	<u>238,278</u>	<u>238,345</u>	<u>1,427,186</u>	<u>1,429,024</u>
Operating gain(loss)	(184,387)	(169,051)	(1,076,033)	(1,042,997)
Investment income(loss):				
Interest, dividends and other	26,420	30,923	156,028	180,373
Realized and unrealized gain(loss) on investments, net	4,283	23,820	956,135	382,870
Investment expenses	(2,168)	(3,319)	(16,308)	(20,339)
Net investment income(loss)	<u>28,535</u>	<u>51,424</u>	<u>1,095,855</u>	<u>542,904</u>
Change in net assets	(155,852)	(117,627)	19,822	(500,093)
NET ASSETS:				
Beginning of period	<u>15,443,207</u>	<u>15,743,742</u>	<u>15,267,533</u>	<u>16,126,208</u>
End of period	<u>\$ 15,287,355</u>	<u>15,626,115</u>	<u>15,287,355</u>	<u>15,626,115</u>

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

	Years Ended			
	2016	2015	2014	2013
Revenue:				
Contributions	\$ 612,393	586,686	582,359	571,104
Withdrawal liability	162,981	687,827 (1)(2)	232,836	153,928
Total revenue	<u>775,374</u>	<u>1,274,513</u>	<u>815,195</u>	<u>725,032</u>
Benefits and expenses:				
Benefits to participants	2,809,605	2,814,338	2,822,248	2,822,508
General and administrative expenses	47,599	52,562	38,078	36,799
Total benefits and expenses	<u>2,857,204</u>	<u>2,866,900</u>	<u>2,860,326</u>	<u>2,859,307</u>
Operating gain(loss)	(2,081,830)	(1,592,387)	(2,045,131)	(2,134,275)
Investment income(loss):				
Interest, dividends and other	336,410	368,132	370,170	348,708
Realized and unrealized gain(loss) on investments, net	927,249	(470,066)	843,954	2,807,635
Investment expenses	(40,504)	(42,577)	(46,646)	(46,568)
Net investment income(loss)	<u>1,223,155</u>	<u>(144,511)</u>	<u>1,167,478</u>	<u>3,109,775</u>
Change in net assets	(858,675)	(1,736,898)	(877,653)	975,500
NET ASSETS:				
Beginning of period	<u>16,126,208</u>	<u>17,863,106</u>	<u>18,740,759</u>	<u>17,765,259</u>
End of period	<u>\$ 15,267,533</u>	<u>16,126,208</u>	<u>17,863,106</u>	<u>18,740,759</u>

Note(s):

(1) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

(2) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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

	June		Six Months Ended June	
	2017	2016	2017	2016
Operations:				
Contributions	\$ 48,349	43,465	298,353	299,751
Benefits paid, net (1)(2)	(434,434)	(233,821)	(1,604,438)	(1,404,262)
	<u>(386,085)</u>	<u>(190,356)</u>	<u>(1,306,085)</u>	<u>(1,104,511)</u>
Payroll	(1,471)	(1,146)	(8,216)	(7,673)
Employee benefits	(597)	(590)	(3,833)	(3,753)
Fees, services and software	(416)	(944)	(1,650)	(4,006)
Rent	(118)	(116)	(709)	(700)
Office	(259)	(314)	(1,923)	(2,538)
Withdrawal liability receipts	8,583	12,612	64,737	86,927
Other	(123)	(706)	(1,752)	(978)
	<u>5,599</u>	<u>8,796</u>	<u>46,654</u>	<u>67,279</u>
Net from operations	(380,486)	(181,560)	(1,259,431)	(1,037,232)
Investments:				
Net sales(purchases)	361,925	155,939	1,128,010	880,547
Interest and dividends	21,446	30,434	147,653	178,472
Management fees	(3,008)	(4,735)	(16,420)	(22,402)
Investments, net	<u>380,363</u>	<u>181,638</u>	<u>1,259,243</u>	<u>1,036,617</u>
Change in cash	(123)	78	(188)	(615)
Cash:				
Beginning of period	<u>480</u>	<u>825</u>	<u>545</u>	<u>1,518</u>
End of period	<u>\$ 357</u>	<u>903</u>	<u>357</u>	<u>903</u>
Note(s):				
(1) Includes change in overdraft:	\$ 68	385	311	714
(2) Includes timing for EFT funding:	\$ (200,037)	0	(200,037)	0

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

	Years Ended			
	2016	2015	2014	2013
Operations:				
Contributions	\$ 609,598	597,999	580,516	572,902
Benefits paid, net (1)	(2,809,397)	(2,814,127)	(2,822,084)	(2,822,571)
	<u>(2,199,799)</u>	<u>(2,216,128)</u>	<u>(2,241,568)</u>	<u>(2,249,669)</u>
Payroll	(16,401)	(17,741)	(16,145)	(15,941)
Employee benefits	(7,623)	(7,816)	(7,456)	(7,532)
Fees, services and software	(6,427)	(7,687)	(4,102)	(2,726)
Rent	(1,380)	(1,730)	(1,663)	(1,717)
Office (2)	(14,405)	(15,380)	(8,358)	(8,850)
Withdrawal liability receipts	161,234	548,619 (3)	255,800	234,417
Other	(548)	(980)	(5,523)	(1,084)
	<u>114,450</u>	<u>497,285</u>	<u>212,553</u>	<u>196,567</u>
Net from operations	<u>(2,085,349)</u>	<u>(1,718,843)</u>	<u>(2,029,015)</u>	<u>(2,053,102)</u>
Investments:				
Net sales(purchases)	1,786,994	1,398,513	1,707,729	1,760,498
Interest and dividends	339,149	364,575	367,079	337,794
Management fees	(41,767)	(44,022)	(45,818)	(46,282)
Investments, net	<u>2,084,376</u>	<u>1,719,066</u>	<u>2,028,990</u>	<u>2,052,010</u>
Change in cash	(973)	223	(25)	(1,092)
Cash:				
Beginning of period	<u>1,518</u>	<u>1,295</u>	<u>1,320</u>	<u>2,412</u>
End of period	<u>\$ 545</u>	<u>1,518</u>	<u>1,295</u>	<u>1,320</u>

Note(s):

(1) Includes change in overdraft:	\$ 207	210	163	(62)
(2) Includes PBGC payment:	\$ 10,555	10,335	4,820	4,893
(3) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.				

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Central States Pension Fund

Full Time Equivalents vs. Retirees
June 2011 Through May 2017

