

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

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

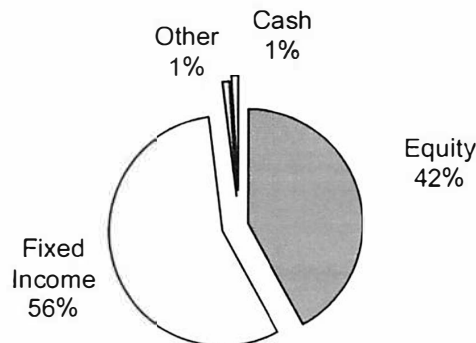
1. Net assets were \$15,098,684 at September 30, 2017, compared to \$15,267,533 at December 31, 2016, a decrease of \$168,849 compared to a decrease of \$424,225 for the same period last year.

The \$255,376 difference is due to \$295,744 more net investment income offset by \$40,368 more net operating loss.

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

| | Actives | Retirees |
|----------------------|---------|----------|
| As of: | | |
| August 2017 | 58,278 | 202,085 |
| December 2016 | 58,624 | 203,457 |
| Eight-month average: | | |
| August 2017 | 58,073 | 202,614 |
| August 2016 | 59,222 | 204,404 |
| % decrease | (1.94)% | (0.88)% |

3. For the nine months ended September 2017, the Fund's net operating loss was \$1,610,692 compared to a loss of \$1,570,324 for the same period in 2016, or a \$40,368 unfavorable change:
- (\$40,871) less contributions primarily due to a decrease in withdrawal liability revenue in 2017,
 - (\$1,110) more benefits and
 - \$1,613 less general and administrative expenses.
4. During the nine months ended September 2017 and 2016, the Fund withdrew \$1,800,931 and \$1,749,044 respectively, from investment assets to fund the cash operating deficit.
5. Investment asset allocation as of September 30, 2017:



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

| | September 30, 2017 | December 31, 2016 | Change in Net Assets | |
|---|-----------------------|----------------------|----------------------|--------------|
| | | | Dollars | Percentage |
| Investments: | | | | |
| Cash equivalents | \$ 310,601 | 762,529 | (451,928) | (3.0) |
| Fixed income | 7,772,882 | 4,459,342 | 3,313,540 | 21.7 |
| Equity | 6,572,477 | 9,747,360 | (3,174,883) | (20.8) |
| Other | 192,892 | 205,026 | (12,134) | - |
| Total investments | <u>14,848,852</u> | <u>15,174,257</u> | <u>(325,405)</u> | <u>(2.1)</u> |
| Investment related assets | 3,779,684 | 2,402,038 | 1,377,646 | 9.0 |
| Employer contributions receivable, net | 73,865 | 74,176 | (311) | - |
| Other assets | <u>227,093</u> | <u>8,044</u> | <u>219,049</u> (1) | <u>1.4</u> |
| Total assets | <u>18,929,494</u> | <u>17,658,515</u> | <u>1,270,979</u> | <u>8.3</u> |
| Investment related liabilities | 3,732,572 | 2,325,480 | (1,407,092) | (9.2) |
| Other liabilities | <u>98,238</u> | <u>65,502</u> | <u>(32,736)</u> | <u>(0.2)</u> |
| Total liabilities | <u>3,830,810</u> | <u>2,390,982</u> | <u>(1,439,828)</u> | <u>(9.4)</u> |
| NET ASSETS | <u>\$ 15,098,684</u> | <u>15,267,533</u> | <u>(168,849)</u> | <u>(1.1)</u> |

Note(s):

(1) Includes timing for EFT funding and related withholdings of \$220 million.

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

| | Year-to-Date | | Change from Prior Year | |
|---|--------------|-------------|------------------------|------------|
| | 2017 | 2016 | Dollars | Percentage |
| INCOME & EXPENSES | | | | |
| Contributions (includes W/L) | \$ 532,040 | 572,911 | (40,871) (1) | (7.1) |
| Benefits | 2,108,564 | 2,107,454 | (1,110) | (0.1) |
| General and administrative expenses | 34,168 | 35,781 | 1,613 | 4.5 |
| Operating gain(loss) | (1,610,692) | (1,570,324) | (40,368) | N/A |
| Net investment income(loss) | 1,441,843 | 1,146,099 | 295,744 | N/A |
| Change in net assets | \$ (168,849) | (424,225) | 255,376 | N/A |
| OPERATING STATISTICS | | | | |
| Benefits to contributions | 396.3 % | 367.9 % | | |
| General and administrative expenses to: | | | | |
| Contributions | 6.4 % | 6.2 % | | |
| Benefits | 1.6 % | 1.7 % | | |
| Eight-month average FTEs | 58,073 | 59,222 | | |
| Contributions per average FTE | \$ 9,162 | 9,674 | | |
| Benefits per average FTE | \$ 36,309 | 35,586 | | |
| Pensioners and beneficiaries - current month | 202,060 | 203,500 | | |
| Current month average benefit per pensioner and beneficiary | \$ 1,157 | 1,143 | | |

Note(s):

(1) Primarily a decrease in withdrawal liability income in 2017.

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

| | Actual through September 2017 | October 2017 | Projection Remainder of 2017 | Year Ending December 2017 |
|-------------------------------------|----------------------------------|------------------|------------------------------------|------------------------------|
| Contributions (includes W/L) | \$ 532,040 | 55,200 | 116,760 | 704,000 |
| Benefits | 2,108,564 | 234,900 | 469,836 | 2,813,300 |
| General and administrative expenses | <u>34,168</u> | <u>4,000</u> | <u>8,132</u> | <u>46,300</u> |
| Operating gain(loss) | <u>\$ (1,610,692)</u> | <u>(183,700)</u> | <u>(361,208)</u> | <u>(2,155,600)</u> |

Assumptions Used in 2017 Projections

Contributions - No change in plan mix and \$103.7 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)

| | <u>September 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> | <u>2015</u> |
|--|-------------------------------------|------------------------------------|-------------------|
| ASSETS | | | |
| Investments: | | | |
| Cash equivalents | \$ 310,601 | 762,529 | 612,383 |
| Fixed income | 7,772,882 | 4,459,342 | 4,689,468 |
| Equity | 6,572,477 | 9,747,360 | 10,385,049 |
| Other | 192,892 | 205,026 | 364,800 |
| Total investments | <u>14,848,852</u> | <u>15,174,257</u> | <u>16,051,700</u> |
| Receivables: | | | |
| Employer contributions, less allowance for uncollectible contributions (1) | 73,865 | 74,176 | 72,206 |
| Interest and dividends | 61,655 | 54,569 | 57,278 |
| Other, primarily investment related | 342,231 | 713,653 | 781,568 |
| Total receivables | <u>477,751</u> | <u>842,398</u> | <u>911,052</u> |
| Cash | 1,232 | 545 | 1,518 |
| Assets held in securities lending program | 3,375,971 | 1,634,039 | 1,882,083 |
| Other, primarily furniture and equipment - net (2) | 225,688 | 7,276 | 8,084 |
| Total assets | <u>18,929,494</u> | <u>17,658,515</u> | <u>18,854,437</u> |
| LIABILITIES | | | |
| Liability to return collateral held under securities lending agreements | 3,375,971 | 1,634,039 | 1,882,083 |
| Investment related | 346,223 | 681,294 | 771,465 |
| Accounts payable and accrued expenses (3) | 104,431 | 71,727 | 69,044 |
| Deferred withdrawal liability receipts | 4,185 | 3,922 | 5,637 |
| Total liabilities | <u>3,830,810</u> | <u>2,390,982</u> | <u>2,728,229</u> |
| NET ASSETS | <u>\$ 15,098,684</u> | <u>15,267,533</u> | <u>16,126,208</u> |
| Note(s): | | | |
| (1) Allowance for uncollectible contributions: | \$ 65,828 | 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: | \$ 219,679 | 0 | 0 |
| (3) Includes a liability for 401(h) plan assets: | \$ 58,529 | 52,842 | 48,347 |

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

| | September | | Nine Months Ended September | |
|---|----------------------|-------------------|-----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue: | | | | |
| Contributions | \$ 58,790 | 48,228 | 449,753 | 448,898 |
| Withdrawal liability | 8,350 | 8,489 | 82,287 | 124,013 |
| Total revenue | <u>67,140</u> | <u>56,717</u> | <u>532,040</u> | <u>572,911</u> |
| Benefits and expenses: | | | | |
| Benefits to participants | 234,794 | 234,773 | 2,108,564 | 2,107,454 |
| General and administrative expenses | 3,929 | 3,798 | 34,168 | 35,781 |
| Total benefits and expenses | <u>238,723</u> | <u>238,571</u> | <u>2,142,732</u> | <u>2,143,235</u> |
| Operating gain(loss) | (171,583) | (181,854) | (1,610,692) | (1,570,324) |
| Investment income(loss): | | | | |
| Interest, dividends and other | 23,475 | 26,254 | 228,121 | 259,095 |
| Realized and unrealized gain(loss) on investments, net | 84,923 | 47,979 | 1,236,496 | 917,677 |
| Investment expenses | (1,984) | (3,383) | (22,774) | (30,673) |
| Net investment income(loss) | <u>106,414</u> | <u>70,850</u> | <u>1,441,843</u> | <u>1,146,099</u> |
| Change in net assets | (65,169) | (111,004) | (168,849) | (424,225) |
| NET ASSETS: | | | | |
| Beginning of period | <u>15,163,853</u> | <u>15,812,987</u> | <u>15,267,533</u> | <u>16,126,208</u> |
| End of period | <u>\$ 15,098,684</u> | <u>15,701,983</u> | <u>15,098,684</u> | <u>15,701,983</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 | 927,577 | (469,660) | 843,954 | 2,807,635 |
| Investment expenses | (40,832) | (42,983) | (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)

| | September | | Nine Months Ended September | |
|--------------------------------------|--------------|-----------|-----------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operations: | | | | |
| Contributions | \$ 51,573 | 53,186 | 451,293 | 456,955 |
| Benefits paid, net (1)(2) | (435,172) | (433,074) | (2,308,759) | (2,305,131) |
| | (383,599) | (379,888) | (1,857,466) | (1,848,176) |
| Payroll | (1,511) | (1,594) | (12,130) | (11,883) |
| Employee benefits | (617) | (605) | (5,718) | (5,677) |
| Fees, services and software | (536) | (280) | (3,066) | (5,474) |
| Rent | (116) | (113) | (1,059) | (1,037) |
| Office | (219) | (230) | (2,591) | (3,156) |
| Withdrawal liability receipts | 8,374 | 7,901 | 82,392 | 122,132 |
| Other | 24 | (3,407) | (2,213) | (3,468) |
| | 5,399 | 1,672 | 55,615 | 91,437 |
| Net from operations | (378,200) | (378,216) | (1,801,851) | (1,756,739) |
| Investments: | | | | |
| Net sales(purchases) | 357,711 | 356,919 | 1,603,870 | 1,528,489 |
| Interest and dividends | 22,078 | 25,420 | 221,194 | 260,398 |
| Management fees | (939) | (3,243) | (22,526) | (32,195) |
| Investments, net | 378,850 | 379,096 | 1,802,538 | 1,756,692 |
| Change in cash | 650 | 880 | 687 | (47) |
| Cash: | | | | |
| Beginning of period | 582 | 591 | 545 | 1,518 |
| End of period | \$ 1,232 | 1,471 | 1,232 | 1,471 |
| <u>Note(s):</u> | | | | |
| (1) Includes change in overdraft: | \$ 42 | 501 | 227 | 1,125 |
| (2) Includes timing for EFT funding: | \$ (200,420) | (198,802) | (200,420) | (198,802) |

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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) | <u>(2,809,397)</u> | <u>(2,814,127)</u> | <u>(2,822,084)</u> | <u>(2,822,571)</u> |
| | <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 | <u>(548)</u> | <u>(980)</u> | <u>(5,523)</u> | <u>(1,084)</u> |
| | 114,450 | 497,285 | 212,553 | 196,567 |
| 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 | <u>(41,767)</u> | <u>(44,022)</u> | <u>(45,818)</u> | <u>(46,282)</u> |
| 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
December 2011 Through August 2017

