

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
SEPTEMBER 30, 2017

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*Includes Active Plan and Retiree Plan

**HEALTH & WELFARE FUND
FINANCIAL REPORT
September 30, 2017 and the Nine Months Then Ended
(Dollars in Thousands)**

1. Net assets were \$5,713,271 at September 30, 2017, compared to \$5,050,226 at December 31, 2016, an increase of \$663,045 compared to an increase of \$511,167 for the same period last year.

The \$151,878 difference is due to \$89,974 more net operating income combined with \$61,904 more net investment income.

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

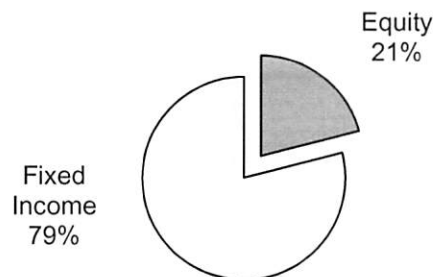
	Actives	Retirees
As of:		
August 2017	189,701	7,242
December 2016	189,545	6,332
Eight-month average:		
August 2017	189,682	6,848
August 2016	189,032	6,273
% increase	0.34%	9.17%

3. For the nine months ended September 2017, the Fund's net operating gain was \$409,140 compared to a gain of \$319,166 for the same period in 2016, or an \$89,974 favorable change:

- \$118,404 more contributions primarily due to increase in rates,
- (\$23,589) more benefits,
- (\$1,641) more TeamCare administrative fees and
- (\$3,200) more general and administrative expenses.

4. During the nine months ended September 2017 and 2016, the Fund transferred \$415,393 and \$299,063, respectively, to investments as the operations generated positive cash flows for those periods.

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



Central States, Southeast and Southwest Areas Health and Welfare 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
Total investments	\$ 6,000,152	5,320,664	679,488	13.5
Investment related assets	785,986	1,233,171	(447,185)	(8.9)
Employer contributions receivable, net	321,682	314,320	7,362	0.1
Other assets	<u>8,483</u>	<u>41,097</u>	<u>(32,614)</u>	<u>(0.6)</u>
Total assets	<u>7,116,303</u>	<u>6,909,252</u>	<u>207,051</u>	<u>4.1</u>
Investment related liabilities	871,097	1,308,063	436,966	8.6
Estimated benefits	382,192	421,977	39,785	0.8
Other liabilities	<u>149,743</u>	<u>128,986</u>	<u>(20,757)</u>	<u>(0.4)</u>
Total liabilities	<u>1,403,032</u>	<u>1,859,026</u>	<u>455,994</u>	<u>9.0</u>
NET ASSETS	<u>\$ 5,713,271</u>	<u>5,050,226</u>	<u>663,045</u>	<u>13.1</u>

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Central States, Southeast and Southwest Areas Health and Welfare 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
<u>INCOME & EXPENSES</u>				
Contributions	\$ 2,492,679	2,365,050	127,629 (1)	5.4
Recognized portion of UPS lump sum	55,134	64,359	(9,225)	(14.3)
Benefits	2,022,090	1,998,501	(23,589)	(1.2)
TeamCare administrative fees	59,924	58,283	(1,641)	(2.8)
General and administrative expenses	<u>56,659</u>	<u>53,459</u>	<u>(3,200)</u>	(6.0)
Operating gain(loss)	409,140	319,166	89,974	N/A
Net investment income(loss)	<u>253,905</u>	<u>192,001</u>	<u>61,904</u>	N/A
Change in net assets	<u>\$ 663,045</u>	<u>511,167</u>	<u>151,878</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	81.1 %	84.5 %		
General and administrative expenses to:				
Contributions	2.3 %	2.3 %		
Benefits	2.8 %	2.7 %		
Eight-month average FTEs (2)	189,682	189,032		
Contributions per average FTE	\$ 13,141	12,511		
Benefits per average FTE	\$ 10,660	10,572		

Note(s):

(1) Primarily increase 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
 September 30, 2017
 (Dollar amounts in thousands)

	Actual through September 2017	Projection		
		October 2017	Remainder of 2017	Year Ending December 2017
Contributions	\$ 2,492,679	260,900	592,421	3,346,000
Recognized portion of UPS lump sum	55,134	6,100	12,266	73,500
Benefits	2,022,090	256,200	561,010	2,839,300
TeamCare administrative fees	59,924	6,900	13,676	80,500
General and administrative expenses	<u>56,659</u>	<u>6,200</u>	<u>12,441</u>	<u>75,300</u>
Operating gain(loss)	409,140	(2,300)	17,560	424,400
Net investment income(loss)	<u>253,905</u>	<u>14,800</u>	<u>29,895</u>	<u>298,600</u>
Change in net assets	\$ <u><u>663,045</u></u>	<u><u>12,500</u></u>	<u><u>47,455</u></u>	<u><u>723,000</u></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)

	September 30, 2017	December 31,	
		2016	2015
ASSETS			
Investments:			
Cash equivalents	\$ 1,385,266	906,208	859,477
Fixed income	3,380,255	3,331,805	2,965,789
U.S. equity	174,172	151,211	121,841
International equity	292,326	241,750	207,613
Commingled equity index fund	768,133	689,690	597,323
Total investments	6,000,152	5,320,664	4,752,043
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	321,682	314,320	243,916
Other, primarily investment related	69,954	59,042	42,034
Total receivables	391,636	373,362	285,950
Cash	113	480	87
Assets held in securities lending program	718,580	1,208,837	575,644
Other, primarily furniture and equipment - net	5,822	5,909	9,895
Total assets	7,116,303	6,909,252	5,623,619
LIABILITIES			
Estimated benefits (2)(3)	382,192	421,977	400,772
Liability to return collateral held under securities lending agreements	718,580	1,208,837	575,734
Checks drawn against future deposits	12,030	11,630	11,410
Payable for securities purchased	149,969	96,430	115,314
Accounts payable and accrued expenses (4)	140,261	120,152	204,321
Total liabilities	1,403,032	1,859,026	1,307,551
NET ASSETS	\$ 5,713,271	5,050,226	4,316,068
 Note(s):			
(1) Allowance for uncollectible contributions:	\$ 4,686	3,669	2,581
(2) Includes estimated claims liability adjustments:	\$ 0	21,205	95,481
(3) Includes claims accrued in December and paid the following January:	\$ 0	39,785	41,293
(4) Includes deferred UPS revenue:	\$ 45,895	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)

	September 30, 2017	December 31, 2016	2015
ASSETS			
Investments:			
Cash equivalents	\$ 1,385,266	906,208	859,477
Fixed income	3,380,255	3,331,805	2,965,789
U.S. equity	174,172	151,211	121,841
International equity	292,326	241,750	207,613
Commingled equity index fund	768,133	689,690	597,323
Total investments	6,000,152	5,320,664	4,752,043
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	321,682	314,320	243,916
Other, primarily investment related	69,954	59,042	42,034
Total receivables	391,636	373,362	285,950
Cash	113	480	87
Assets held in securities lending program	718,580	1,208,837	575,644
Other, primarily furniture and equipment - net	5,822	5,909	9,895
Total assets	7,116,303	6,909,252	5,623,619
LIABILITIES			
Estimated benefits (2)(3)	371,533	411,318	389,579
Interest in assets of Retiree Plan	487,528	369,689	199,448
Liability to return collateral held under securities lending agreements	718,580	1,208,837	575,734
Checks drawn against future deposits	12,030	11,630	11,410
Payable for securities purchased	149,969	96,430	115,314
Accounts payable and accrued expenses (4)	140,261	120,152	204,321
Total liabilities	1,879,901	2,218,056	1,495,806
NET ASSETS	\$ 5,236,402	4,691,196	4,127,813
Note(s):			
(1) Allowance for uncollectible contributions:	\$ 4,686	3,669	2,581
(2) Includes estimated claims liability adjustments:	\$ 0	21,739	92,745
(3) Includes claims accrued in December and paid the following January:	\$ 0	39,785	41,293
(4) Includes deferred UPS revenue:	\$ 45,895	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)

	September 30, 2017	December 31, 2016	December 31, 2015
ASSETS			
Interest in assets of Active Plan	\$ 487,528	369,689	199,448
Current benefit obligations			
Claims incurred but not reported	10,659	10,659	11,193
NET ASSETS	\$ 476,869	359,030	188,255

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

	September		Nine Months Ended September	
	2017	2016	2017	2016
Revenue:				
Contributions	\$ 326,591	251,593	2,492,679	2,365,050
Recognized portion of UPS lump sum	6,126	7,151	55,134	64,359
Total revenue	332,717	258,744	2,547,813	2,429,409
 Benefits and expenses:				
Benefits	217,747	241,540	2,022,090	1,998,501
TeamCare administrative fees	7,146	6,880	59,924	58,283
General and administrative expenses	6,678	5,911	56,659	53,459
Total benefits and expenses	231,571	254,331	2,138,673	2,110,243
Operating gain(loss)	101,146	4,413	409,140	319,166
 Investment income(loss):				
Interest and dividends	10,461	8,625	87,611	74,432
Realized and unrealized gain(loss) on investments, net	13,231	1,875	172,751	123,022
Investment expenses	(667)	(634)	(6,457)	(5,453)
Net investment income(loss)	23,025	9,866	253,905	192,001
Change in net assets	124,171	14,279	663,045	511,167
 NET ASSETS:				
Beginning of period	5,589,100	4,812,956	5,050,226	4,316,068
End of period	\$ 5,713,271	4,827,235	5,713,271	4,827,235

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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	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	<u>3,337,047</u>	<u>3,071,658</u>	<u>3,524,372</u>	<u>1,282,118</u>
Benefits and expenses:				
Benefits	2,633,617	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 (1)	43,224
Total benefits and expenses	<u>2,784,336</u>	<u>2,571,078</u>	<u>1,828,261</u>	<u>1,195,848</u>
Operating gain(loss)	552,711	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)	<u>181,447</u>	<u>(4,253)</u>	<u>106,558</u>	<u>132,286</u>
Change in net assets	734,158	496,327	1,802,669	218,556
NET ASSETS:				
Beginning of period	<u>4,316,068</u>	<u>3,819,741</u>	<u>2,017,072</u>	<u>1,798,516</u>
End of period	<u>\$ 5,050,226</u>	<u>4,316,068</u>	<u>3,819,741</u>	<u>2,017,072</u>

Note(s):

(1) 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)

	September	Nine Months Ended September	Years Ended	
	2017	2017	2016	2015
Revenue:				
Contributions	\$ 300,577	2,290,922	3,140,932	2,972,722
Recognized portion of UPS lump sum	6,126	55,134	85,812	98,112
Total revenue	<u>306,703</u>	<u>2,346,056</u>	<u>3,226,744</u>	<u>3,070,834</u>
Benefits and expenses:				
Benefits	205,246	1,923,957	2,517,186	2,324,450
TeamCare administrative fees	6,796	57,146	74,197	70,336
General and administrative expenses	6,351	54,032	69,891	64,107
Total benefits and expenses	<u>218,393</u>	<u>2,035,135</u>	<u>2,661,274</u>	<u>2,458,893</u>
Operating gain(loss)	88,310	310,921	565,470	611,941
Retiree Plan Funding	0	0	(173,000)	(220,000)
Net investment income(loss)	21,112	234,285	170,913	(4,066)
Change in net assets	109,422	545,206	563,383	387,875
NET ASSETS:				
Beginning of period	5,126,980	4,691,196	4,127,813	3,739,938
End of period	<u>\$ 5,236,402</u>	<u>5,236,402</u>	<u>4,691,196</u>	<u>4,127,813</u>

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

	September	Nine Months Ended September	Years Ended	
	2017	2017	2016	2015
Contributions	\$ 26,014	201,757	110,303	824
Benefits and expenses:				
Benefits	12,501	98,133	116,431	105,998
TeamCare administrative fees	350	2,778	3,415	3,237
General and administrative expenses	327	2,627	3,216	2,950
Total benefits and expenses	<u>13,178</u>	<u>103,538</u>	<u>123,062</u>	<u>112,185</u>
Operating gain(loss)	12,836	98,219	(12,759)	(111,361)
Retiree Plan Funding Transfer	0	0	173,000	220,000
Net investment income(loss)	<u>1,913</u>	<u>19,620</u>	<u>10,534</u>	<u>(187)</u>
Change in net assets	14,749	117,839	170,775	108,452
NET ASSETS:				
Beginning of period	<u>462,120</u>	<u>359,030</u>	<u>188,255</u>	<u>79,803</u>
End of period	<u>\$ 476,869</u>	<u>476,869</u>	<u>359,030</u>	<u>188,255</u>

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

	September		Nine Months Ended September	
	2017	2016	2017	2016
Operations:				
Contributions	\$ 265,890	254,138	2,485,321	2,363,072
Benefits paid, net (1)	(174,078)	(199,390)	(1,955,550)	(1,955,931)
	91,812	54,748	529,771	407,141
Payroll	(3,341)	(3,251)	(26,524)	(25,710)
Employee benefits	(1,500)	(1,380)	(13,781)	(13,256)
Fees, services and software (primarily TeamCare)	(7,626)	(6,916)	(65,764)	(61,295)
Rent	(255)	(250)	(2,342)	(2,265)
Office	(554)	(449)	(6,121)	(6,176)
Other	(4,475)	(2,692)	(242)	1,084
	(17,751)	(14,938)	(114,774)	(107,618)
Net from operations	74,061	39,810	414,997	299,523
Investments, net	(74,271)	(40,086)	(415,364)	(299,049)
Change in cash	(210)	(276)	(367)	474
Cash:				
Beginning of period	323	837	480	87
End of period	\$ 113	561	113	561
Note(s):				
(1) Includes change in overdraft of:	\$ (466)	111	400	388

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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:	\$ 220	2,487	4,062	483
(2) Includes transitional reinsurance fee:	\$ 0	11,735	0	0

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Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 2014 Through August 2017

