

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
DECEMBER 31, 2017

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**PENSION FUND
FINANCIAL REPORT**
December 31, 2017 and the Twelve Months Then Ended
Does Not Include Final Year End Adjustments
Dollars in Thousands

1. Net assets were \$15,008,805 at December 31, 2017, compared to \$15,267,533 at December 31, 2016, a decrease of \$258,728 compared to a decrease of \$858,675 for the same period last year.

The \$599,947 difference is due to \$570,996 more net investment income combined with \$28,951 less net operating loss.

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

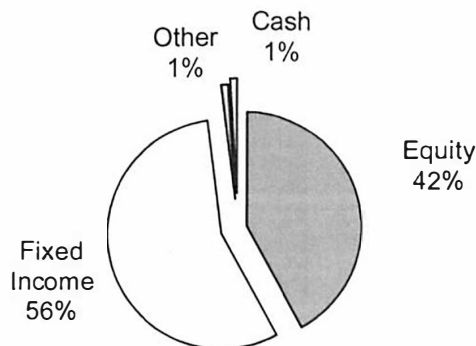
	Actives	Retirees
As of:		
November 2017	57,734	201,875
December 2016	58,598	203,457
Eleven-month average:		
November 2017	58,096	202,449
November 2016	59,440	204,172
% decrease	(2.26)%	(0.84)%

3. For the twelve months ended December 2017, the Fund's net operating loss was \$2,052,879 compared to a loss of \$2,081,830 for the same period in 2016, or a \$28,951 favorable change:

- \$30,970 more contributions,
- (\$3,943) more benefits and
- \$1,924 less general and administrative expenses.

4. During the twelve months ended December 2017 and 2016, the Fund withdrew \$2,052,620 and \$2,076,580 respectively, from investment assets to fund the cash operating deficit.

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



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

	December 31, 2017 (1)	December 31, 2016	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 334,973	762,529	(427,556)	(2.8)
Fixed income	7,733,261	4,459,342	3,273,919	21.4
Equity	6,559,959	9,747,360	(3,187,401)	(20.9)
Other	183,210	205,026	(21,816)	(0.1)
Total investments	<u>14,811,403</u>	<u>15,174,257</u>	<u>(362,854)</u>	<u>(2.4)</u>
Investment related assets	3,778,576	2,402,038	1,376,538	9.0
Employer contributions receivable, net	78,601	74,176	4,425	-
Other assets	<u>7,380</u>	<u>8,044</u>	<u>(664)</u>	<u>-</u>
Total assets	<u>18,675,960</u>	<u>17,658,515</u>	<u>1,017,445</u>	<u>6.6</u>
Investment related liabilities	3,591,937	2,325,480	(1,266,457)	(8.3)
Other liabilities	<u>75,218</u>	<u>65,502</u>	<u>(9,716)</u>	<u>-</u>
Total liabilities	<u>3,667,155</u>	<u>2,390,982</u>	<u>(1,276,173)</u>	<u>(8.3)</u>
NET ASSETS	<u>\$ 15,008,805</u>	<u>15,267,533</u>	<u>(258,728)</u>	<u>(1.7)</u>

Note(s):

(1) Does not include final year end adjustments.

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

	<u>Year-to-Date</u>		<u>Change from Prior Year</u>		
	<u>2017</u>	<u>(1)</u>	<u>2016</u>	<u>Dollars</u>	<u>Percentage</u>
<u>INCOME & EXPENSES</u>					
Contributions (includes W/L)	\$ 806,344		775,374	30,970	4.0
Benefits	2,813,548		2,809,605	(3,943)	(0.1)
General and administrative expenses	<u>45,675</u>		<u>47,599</u>	<u>1,924</u>	4.0
Operating gain(loss)	(2,052,879)		(2,081,830)	28,951	N/A
Net investment income(loss)	<u>1,794,151</u>		<u>1,223,155</u>	<u>570,996</u>	N/A
Change in net assets	<u>\$ (258,728)</u>		<u>(858,675)</u>	<u>599,947</u>	N/A
<u>OPERATING STATISTICS</u>					
Benefits to contributions	348.9 %		362.4 %		
General and administrative expenses to:					
Contributions	5.7 %		6.1 %		
Benefits	1.6 %		1.7 %		
Eleven-month average FTEs	58,096		59,440		
Contributions per average FTE	\$ 13,880		13,045		
Benefits per average FTE	\$ 48,429		47,268		
Pensioners and beneficiaries - current month	201,835		203,457		
Current month average benefit per pensioner and beneficiary	\$ 1,160		1,146		

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Current and Projected Operations
 For Year Ending December 31, 2018
 (Dollar amounts in thousands)

	Projection		
	January 2018	Remainder of 2018	Year Ending December 2018
Contributions (includes W/L)	\$ 53,500	610,100	663,600
Benefits	235,600	2,592,800	2,828,400
General and administrative expenses	<u>3,900</u>	<u>42,700</u>	<u>46,600</u>
Change in net assets before net investment income(loss)	<u>\$ (186,000)</u>	<u>(2,025,400)</u>	<u>(2,211,400)</u>

Assumptions Used in 2018 Projections

Contributions - No change in plan mix and \$60.1 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - 2% increase over 2017.

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

	December 31, 2017 (1)	December 31, 2016	2015
ASSETS			
Investments:			
Cash equivalents	\$ 334,973	762,529	612,383
Fixed income	7,733,261	4,459,342	4,689,468
Equity	6,559,959	9,747,360	10,385,049
Other	183,210	205,026	364,800
Total investments	14,811,403	15,174,257	16,051,700
Receivables:			
Employer contributions, less allowance for uncollectible contributions (2)	78,601	74,176	72,206
Interest and dividends	58,691	54,569	57,278
Other, primarily investment related	427,337	713,653	781,568
Total receivables	564,629	842,398	911,052
Cash	1,715	545	1,518
Assets held in securities lending program	3,292,721	1,634,039	1,882,083
Other, primarily furniture and equipment - net	5,492	7,276	8,084
Total assets	18,675,960	17,658,515	18,854,437
LIABILITIES			
Liability to return collateral held under securities lending agreements	3,292,721	1,634,039	1,882,083
Investment related	291,542	681,294	771,465
Accounts payable and accrued expenses (3)	78,247	71,727	69,044
Deferred withdrawal liability receipts	4,645	3,922	5,637
Total liabilities	3,667,155	2,390,982	2,728,229
NET ASSETS	\$ 15,008,805	15,267,533	16,126,208

Note(s):

(1) Does not include final year end adjustments.

(2) Allowance for uncollectible contributions:

Reserve for YRC included in above allowance:

(3) Includes a liability for 401(h) plan assets:

	\$ 48,010	65,932	71,779
	\$ 37,795	55,509	59,862
	\$ 60,084	52,842	48,347

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

	December		Twelve Months Ended December	
	2017	(1) 2016	2017	(1) 2016
Revenue:				
Contributions	\$ 74,700	(2) 56,966	627,079	(2) 612,393
Withdrawal liability	78,717	(3) 23,326	179,265	(3) 162,981
Total revenue	<u>153,417</u>	<u>80,292</u>	<u>806,344</u>	<u>775,374</u>
Benefits and expenses:				
Benefits to participants	234,698	234,157	2,813,548	2,809,605
General and administrative expenses	3,919	4,318	45,675	47,599
Total benefits and expenses	<u>238,617</u>	<u>238,475</u>	<u>2,859,223</u>	<u>2,857,204</u>
Operating gain(loss)	(85,200)	(158,183)	(2,052,879)	(2,081,830)
Investment income(loss):				
Interest, dividends and other	22,491	26,262	294,894	336,410
Realized and unrealized gain(loss) on investments, net	72,669	182,681	1,525,734	927,577
Investment expenses	(1,171)	(3,535)	(26,477)	(40,832)
Net investment income(loss)	<u>93,989</u>	<u>205,408</u>	<u>1,794,151</u>	<u>1,223,155</u>
Change in net assets	8,789	47,225	(258,728)	(858,675)
NET ASSETS:				
Beginning of period	<u>15,000,016</u>	<u>15,220,308</u>	<u>15,267,533</u>	<u>16,126,208</u>
End of period	<u>\$ 15,008,805</u>	<u>15,267,533</u>	<u>15,008,805</u>	<u>15,267,533</u>

Note(s):

(1) Does not include final year end adjustments.

(2) Includes receipt of \$16.9 million from YRC, Inc.

(3) Includes \$26.0 million from Quanta Services Mgmt., \$22.7 million from Superior Beverage and \$21.0 million from LaFarge North America.

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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)

	December		Twelve Months Ended December			
	2017	(1)	2016	2017	(1)	2016
Operations:						
Contributions	\$ 61,926	(2)	43,970	623,842	(2)	609,598
Benefits paid, net (3)	(235,021)		(234,376)	(2,813,695)		(2,809,397)
	(173,095)		(190,406)	(2,189,853)		(2,199,799)
Payroll	(1,976)		(1,905)	(16,777)		(16,401)
Employee benefits	(631)		(609)	(7,696)		(7,623)
Fees, services and software	(405)		(382)	(4,196)		(6,427)
Rent	(116)		(113)	(1,408)		(1,380)
Office (4)	(275)		(243)	(14,063)		(14,405)
Withdrawal liability receipts	79,050	(5)	23,350	179,770	(5)	161,234
Other	(3,356)		2,203	(2,990)		(548)
	72,291		22,301	132,640		114,450
Net from operations	(100,804)		(168,105)	(2,057,213)		(2,085,349)
Investments:						
Net sales(purchases)	86,104		144,125	1,796,324		1,786,994
Interest and dividends	18,175		26,592	290,992		339,149
Management fees	(2,521)		(2,589)	(28,933)		(41,767)
Investments, net	101,758		168,128	2,058,383		2,084,376
Change in cash	954		23	1,170		(973)
Cash:						
Beginning of period	761		522	545		1,518
End of period	\$ 1,715		545	1,715		545

Note(s):

(1) Does not include final year end adjustments.

(2) Includes receipt of \$16.9 million from YRC Inc.

(3) Includes change in overdraft:

	\$ (323)	(219)	(146)	207
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(4) Includes PBGC payment:

	\$ 0	0	(10,778)	(10,555)
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(5) Includes \$26.0 million from Quanta Services Mgmt., \$22.7 million from Superior Beverage and \$21.0 million from LaFarge North America.

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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
December 2011 Through November 2017

