

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
MARCH 31, 2018

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Financial Report	FR
Financial Statements:	
Executive Summaries	1-3
Financial Statements	4-5
Statement of Receipts and Disbursements	6
Graph	7

**PENSION FUND
FINANCIAL REPORT**
March 31, 2018 and the Three Months Then Ended
Dollars in Thousands

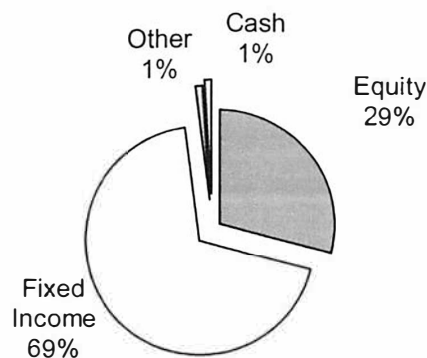
1. Net assets were \$14,839,795 at March 31, 2018, compared to \$15,011,652 at December 31, 2017, a decrease of 171,857 compared to an increase of \$179,302 for the same period last year.

The \$351,159 difference is due to \$795,324 less net investment income offset by \$444,165 less net operating loss.

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

As of:	Actives	Retirees
February 2018	53,397	201,359
December 2017	55,902	201,835
Two-months average:		
February 2018	54,205	201,714
February 2017	57,930	203,330
% decrease	(6.43)%	(0.79)%

3. For the three months ended March 2018, the Fund's net operating loss was \$88,991 compared to a loss of \$533,156 for the same period in 2017, or a \$444,165 favorable change:
 - \$448,341 more contributions, primarily due to an increase in withdrawal liability income (The Kroger Co.) and an extra billing week in 2018,
 - (\$4,784) more benefits and
 - \$608 less general and administrative expenses.
4. During the three months ended March 2018 and 2017, the Fund withdrew \$285,521 and \$714,271 respectively, from investment assets to fund the cash operating deficit.
5. Investment asset allocation as of March 31, 2018:



Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Position
March 31, 2018
(Dollar amounts in thousands)

	March 31, 2018	December 31, 2017	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 593,271	334,973	258,298	1.7
Fixed income	9,750,780	7,733,261	2,017,519	13.4
Equity	4,304,086	6,559,959	(2,255,873)	(15.0)
Other	139,868	183,205	(43,337)	(0.3)
Total investments	14,788,005	14,811,398	(23,393)	(0.2)
Investment related assets	4,187,517	3,778,576	408,941	2.7
Employer contributions receivable, net	71,685	82,126	(10,441)	-
Other assets	228,429	7,522	220,907 (1)	1.5
Total assets	19,275,636	18,679,622	596,014	4.0
Investment related liabilities	4,346,278	3,591,959	(754,319)	(5.0)
Other liabilities	89,563	76,011	(13,552)	(0.1)
Total liabilities	4,435,841	3,667,970	(767,871)	(5.1)
NET ASSETS	\$ 14,839,795	15,011,652	(171,857)	(1.1)

Note(s):

(1) Includes timing for EFT funding and related withholdings of \$221 million.

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Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Operations
 March 31, 2018
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		
	2018	2017	Dollars	Percentage	
<u>INCOME & EXPENSES</u>					
Contributions (includes W/L)	\$ 627,333	178,992	448,341 (1)	(7.3)	(2)
Benefits	705,935	701,151	(4,784)	(0.7)	
General and administrative expenses	<u>10,389</u>	<u>10,997</u>	<u>608</u>	5.5	
Operating gain(loss)	(88,991)	(533,156)	444,165	N/A	
Net investment income(loss)	<u>(82,866)</u>	<u>712,458</u>	<u>(795,324)</u>	N/A	
Change in net assets	<u>\$ (171,857)</u>	<u>179,302</u>	<u>(351,159)</u>	N/A	
<u>OPERATING STATISTICS</u>					
Benefits to contributions (2)	425.4 %	391.7 %			
General and administrative expenses to:					
Contributions (2)	6.3 %	6.1 %			
Benefits	1.5 %	1.6 %			
Two-month average FTEs	54,205	57,930			
Contributions per average FTE (2)	\$ 3,061	3,090			
Benefits per average FTE	\$ 13,023	12,103			
Pensioners and beneficiaries - current month	200,855	202,485			
Current month average benefit per pensioner and beneficiary	\$ 1,165	1,151			

Note(s):

(1) Increase in withdrawal liability income (\$413.7 million from The Kroger Co. and \$47.7 million from Southstar LLC) and an extra billing week in 2018.

(2) 2018 statistics exclude \$461.4 million (from The Kroger Co. and Southstar LLC).

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

	Actual through March 2018	Projection		Year Ending December 2018
		April 2018	Remainder of 2018	
Contributions (includes W/L)	\$ 627,333	54,300	446,567	1,128,200
Benefits	705,935	235,100	1,882,065	2,823,100
General and administrative expenses	<u>10,389</u>	<u>3,900</u>	<u>31,311</u>	<u>45,600</u>
Operating gain(loss)	\$ <u><u>(88,991)</u></u>	<u><u>(184,700)</u></u>	<u><u>(1,466,809)</u></u>	<u><u>(1,740,500)</u></u>

Assumptions Used in 2018 Projections

Contributions - No change in plan mix and \$532.5 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2017 expenses for remaining months.

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

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>2016</u>
ASSETS			
Investments:			
Cash equivalents	\$ 593,271	334,973	762,529
Fixed income	9,750,780	7,733,261	4,459,342
Equity	4,304,086	6,559,959	9,747,360
Other	139,868	183,205	205,026
Total investments	<u>14,788,005</u>	<u>14,811,398</u>	<u>15,174,257</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	71,685	82,126	74,176
Interest and dividends	74,313	58,691	54,569
Other, primarily investment related	267,459	427,479	713,653
Total receivables	<u>413,457</u>	<u>568,296</u>	<u>842,398</u>
Cash	1,501	1,715	545
Assets held in securities lending program	3,846,909	3,292,721	1,634,039
Other, primarily furniture and equipment - net (2)	225,764	5,492	7,276
Total assets	<u>19,275,636</u>	<u>18,679,622</u>	<u>17,658,515</u>
LIABILITIES			
Liability to return collateral held under securities lending agreements	3,846,909	3,292,721	1,634,039
Investment related	492,434	291,542	681,294
Accounts payable and accrued expenses (3)	91,593	79,062	71,727
Deferred withdrawal liability receipts	4,905	4,645	3,922
Total liabilities	<u>4,435,841</u>	<u>3,667,970</u>	<u>2,390,982</u>
NET ASSETS	<u>\$ 14,839,795</u>	<u>15,011,652</u>	<u>15,267,533</u>
Note(s):			
(1) Allowance for uncollectible contributions:	\$ 55,054	53,844	65,932
Reserve for YRC included in above allowance:	\$ 37,795	37,795	55,509
(2) Includes timing for EFT funding and related withholdings:	\$ 220,781	0	0
(3) Includes a liability for 401(h) plan assets:	\$ 59,645	60,083	52,842

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

	March		Three Months Ended March	
	2018	2017	2018	2017
Revenue:				
Contributions	\$ 54,172	48,423	142,261	137,865
Withdrawal liability	6,087	25,146	485,072 (1)	41,127
Total revenue	<u>60,259</u>	<u>73,569</u>	<u>627,333</u>	<u>178,992</u>
Benefits and expenses:				
Benefits to participants	235,419	234,180	705,935	701,151
General and administrative expenses	3,631	3,801	10,389	10,997
Total benefits and expenses	<u>239,050</u>	<u>237,981</u>	<u>716,324</u>	<u>712,148</u>
Operating gain(loss)	(178,791)	(164,412)	(88,991)	(533,156)
Investment income(loss):				
Interest, dividends and other	27,378	30,716	72,551	74,754
Realized and unrealized gain(loss) on investments, net	(84,542)	61,319	(150,665)	646,868
Investment expenses	(1,505)	(2,323)	(4,752)	(9,164)
Net investment income(loss)	<u>(58,669)</u>	<u>89,712</u>	<u>(82,866)</u>	<u>712,458</u>
Change in net assets	(237,460)	(74,700)	(171,857)	179,302
NET ASSETS:				
Beginning of period	<u>15,077,255</u>	<u>15,521,535</u>	<u>15,011,652</u>	<u>15,267,533</u>
End of period	<u>\$ 14,839,795</u>	<u>15,446,835</u>	<u>14,839,795</u>	<u>15,446,835</u>

Note(s):

(1) Includes \$413.7 million from The Kroger Co. and \$47.7 million from Southstar LLC.

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5a

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

	Years Ended			
	2017	2016	2015	2014
Revenue:				
Contributions	\$ 621,562	612,393	586,686	582,359
Withdrawal liability	187,985	162,981	687,827 (1)(2)	232,836
Total revenue	<u>809,547</u>	<u>775,374</u>	<u>1,274,513</u>	<u>815,195</u>
Benefits and expenses:				
Benefits to participants	2,813,547	2,809,605	2,814,338	2,822,248
General and administrative expenses	46,006	47,599	52,562	38,078
Total benefits and expenses	<u>2,859,553</u>	<u>2,857,204</u>	<u>2,866,900</u>	<u>2,860,326</u>
Operating gain(loss)	(2,050,006)	(2,081,830)	(1,592,387)	(2,045,131)
Investment income(loss):				
Interest, dividends and other	294,896	336,410	368,132	370,170
Realized and unrealized gain(loss) on investments, net	1,525,729	927,577	(469,660)	843,954
Investment expenses	(26,500)	(40,832)	(42,983)	(46,646)
Net investment income(loss)	<u>1,794,125</u>	<u>1,223,155</u>	<u>(144,511)</u>	<u>1,167,478</u>
Change in net assets	(255,881)	(858,675)	(1,736,898)	(877,653)
NET ASSETS:				
Beginning of period	<u>15,267,533</u>	<u>16,126,208</u>	<u>17,863,106</u>	<u>18,740,759</u>
End of period	<u>\$ 15,011,652</u>	<u>15,267,533</u>	<u>16,126,208</u>	<u>17,863,106</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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5b

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

	March		Three Months Ended March	
	2018	2017	2018	2017
Operations:				
Contributions	\$ 44,977	50,096	141,844	154,365
Benefits paid, net (1)(2)	(438,914)	(433,681)	(908,982)	(900,079)
	(393,937)	(383,585)	(767,138)	(745,714)
Payroll	(1,377)	(1,483)	(3,918)	(4,307)
Employee benefits	(539)	(605)	(1,802)	(1,926)
Fees, services and software	(356)	(258)	(991)	(796)
Rent	(100)	(118)	(303)	(354)
Office	(229)	(234)	(796)	(783)
Withdrawal liability receipts	15,153	25,056	494,091 (3)	41,084
Other	(1,691)	(788)	(4,823)	(2,637)
	10,861	21,570	481,458	30,281
Net from operations	(383,076)	(362,015)	(285,680)	(715,433)
Investments:				
Net sales(purchases)	372,379	338,748	234,084	655,489
Interest and dividends	13,717	22,696	56,896	67,215
Management fees	(1,829)	(1,382)	(5,514)	(7,253)
Investments, net	384,267	360,062	285,466	715,451
Change in cash	1,191	(1,953)	(214)	18
Cash:				
Beginning of period	310	2,516	1,715	545
End of period	\$ 1,501	563	1,501	563

Note(s):

(1) Includes change in overdraft:	\$ 232	(254)	680	320
(2) Includes timing for EFT funding:	\$ (203,726)	(199,248)	(203,726)	(199,248)
(3) Includes \$413.7 million from The Kroger Co. and \$47.7 million from Southstar LLC.				

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

	Years Ended			
	2017	2016	2015	2014
Operations:				
Contributions	\$ 623,525	609,598	597,999	580,516
Benefits paid, net (1)	<u>(2,813,694)</u>	<u>(2,809,397)</u>	<u>(2,814,127)</u>	<u>(2,822,084)</u>
	<u>(2,190,169)</u>	<u>(2,199,799)</u>	<u>(2,216,128)</u>	<u>(2,241,568)</u>
Payroll	(16,777)	(16,401)	(17,741)	(16,145)
Employee benefits	(7,696)	(7,623)	(7,816)	(7,456)
Fees, services and software	(4,196)	(6,427)	(7,687)	(4,102)
Rent	(1,408)	(1,380)	(1,730)	(1,663)
Office (2)	(14,063)	(14,405)	(15,380)	(8,358)
Withdrawal liability receipts	179,764	161,234	548,619 (3)	255,800
Other	<u>(2,669)</u>	<u>(548)</u>	<u>(980)</u>	<u>(5,523)</u>
	<u>132,955</u>	<u>114,450</u>	<u>497,285</u>	<u>212,553</u>
Net from operations	<u>(2,057,214)</u>	<u>(2,085,349)</u>	<u>(1,718,843)</u>	<u>(2,029,015)</u>
Investments:				
Net sales(purchases)	1,796,324	1,786,994	1,398,513	1,707,729
Interest and dividends	290,993	339,149	364,575	367,079
Management fees	<u>(28,933)</u>	<u>(41,767)</u>	<u>(44,022)</u>	<u>(45,818)</u>
Investments, net	<u>2,058,384</u>	<u>2,084,376</u>	<u>1,719,066</u>	<u>2,028,990</u>
Change in cash	1,170	(973)	223	(25)
Cash:				
Beginning of period	<u>545</u>	<u>1,518</u>	<u>1,295</u>	<u>1,320</u>
End of period	<u>\$ 1,715</u>	<u>545</u>	<u>1,518</u>	<u>1,295</u>

Note(s):

(1) Includes change in overdraft:	\$ (146)	207	210	163
(2) Includes PBGC payment:	\$ (10,778)	(10,555)	(10,335)	(4,820)
(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 2012 Through February 2018

