

**CENTRAL STATES HEALTH AND WELFARE FUND**  
**FINANCIAL AND ANALYTICAL INFORMATION**  
**MARCH 31, 2018**

**CENTRAL STATES HEALTH AND WELFARE FUND**

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**\*Includes Active Plan and Retiree Plan**

**HEALTH & WELFARE FUND  
FINANCIAL REPORT  
March 31, 2018 and the Three Months Then Ended  
(Dollars in Thousands)**

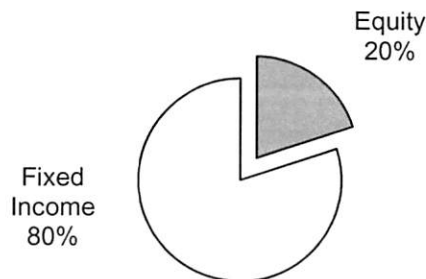
1. Net assets were \$6,009,418 at March 31, 2018, compared to \$5,964,395 at December 31, 2017, an increase of \$45,023 compared to an increase of \$101,683 for the same period last year.

The \$56,660 difference is due to \$116,256 less net investment income offset by \$59,596 more net operating income.

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

	<u>Actives</u>	<u>Retirees</u>
As of:		
February 2018	191,883	7,699
December 2017	190,834	7,566
Two-months average:		
February 2018	191,358	7,631
February 2017	189,889	6,407
% increase	0.77%	19.10%

3. For the three months ended March 2018, the Fund's net operating gain was \$69,322 compared to a gain of \$9,726 for the same period in 2017, or a \$59,596 favorable change:
- \$92,430 more contributions primarily due to an extra week in 2018 combined with increases in rates,
  - (\$30,210) more benefits,
  - (\$405) more TeamCare administrative fees and
  - (\$2,219) more general and administrative expenses.
4. During the three months ended March 2018 and 2017, the Fund transferred \$100,778 and \$114,630, respectively, to investments as the operations generated positive cash flows for those periods.
5. Investment asset allocation as of March 31, 2018:



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

	March 31, 2018	December 31, 2017 (1)	Change in Net Assets	
			Dollars	Percentage
Total investments	\$ 6,214,377	6,250,734	(36,357)	(0.6)
Investment related assets	1,312,068	1,164,314	147,754	2.5
Employer contributions receivable, net	324,691	327,935	(3,244)	(0.1)
Other assets	<u>25,315</u>	<u>54,600</u>	<u>(29,285)</u>	<u>(0.5)</u>
Total assets	<u>7,876,451</u>	<u>7,797,583</u>	<u>78,868</u>	<u>1.3</u>
Investment related liabilities	1,337,985	1,303,037	(34,948)	(0.6)
Estimated benefits	415,562	472,811	57,249	1.0
Other liabilities	<u>113,486</u>	<u>57,340</u>	<u>(56,146)</u>	<u>(0.9)</u>
Total liabilities	<u>1,867,033</u>	<u>1,833,188</u>	<u>(33,845)</u>	<u>(0.5)</u>
<b>NET ASSETS</b>	<b>\$ <u><u>6,009,418</u></u></b>	<b><u><u>5,964,395</u></u></b>	<b><u><u>45,023</u></u></b>	<b><u><u>0.8</u></u></b>

Note(s):

(1) Does not include final year end adjustments.

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Central States, Southeast and Southwest Areas Health and Welfare 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
<b><u>INCOME &amp; EXPENSES</u></b>				
Contributions	\$ 855,096	756,081	99,015 (1)	13.1
Recognized portion of UPS lump sum	11,793	18,378	(6,585)	(35.8)
Benefits	756,926	726,716	(30,210)	(4.2)
TeamCare administrative fees	19,983	19,578	(405)	(2.1)
General and administrative expenses	<u>20,658</u>	<u>18,439</u>	<u>(2,219)</u>	(12.0)
Operating gain(loss)	69,322	9,726	59,596	N/A
Net investment income(loss)	<u>(24,299)</u>	<u>91,957</u>	<u>(116,256)</u>	N/A
Change in net assets	<u>\$ 45,023</u>	<u>101,683</u>	<u>(56,660)</u>	N/A
<b><u>OPERATING STATISTICS</u></b>				
Benefits to contributions	88.5 %	96.1 %		
General and administrative expenses to:				
Contributions	2.4 %	2.4 %		
Benefits	2.7 %	2.5 %		
Two-month average FTEs	191,358	189,889		
Contributions per average FTE	\$ 4,469	3,982		
Benefits per average FTE	\$ 3,956	3,827		

**Note(s):**

(1) Primarily extra week in 2018 combined with increases in rates.

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

	Actual through March 2018	Projection		
		April 2018	Remainder of 2018	Year Ending December 2018
Contributions	\$ 855,096	260,200	2,365,604	3,480,900
Recognized portion of UPS lump sum	11,793	3,900	11,807	27,500
Benefits	756,926	250,700	1,882,174	2,889,800
TeamCare administrative fees	19,983	6,400	51,217	77,600
General and administrative expenses	<u>20,658</u>	<u>6,600</u>	<u>52,542</u>	<u>79,800</u>
Operating gain(loss)	69,322	400	391,478	461,200
Net investment income(loss)	<u>(24,299)</u>	<u>18,100</u>	<u>148,599</u>	<u>142,400</u>
Change in net assets	<u>\$ 45,023</u>	<u>18,500</u>	<u>540,077</u>	<u>603,600</u>

Assumptions used in 2018 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 6% per FTE.

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

Investment income - Actual return earned to date plus remaining months annualized return of 3.5% based on Northern Trust Capital Market assumptions.

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

	March 31, 2018	December 31, 2017	(1)	2016
<b>ASSETS</b>				
Investments:				
Cash equivalents	\$ 1,098,225	1,123,427		708,395
Fixed income	3,862,515	3,869,526		3,529,618
U.S. equity	143,336	146,645		133,473
International equity	304,324	308,951		259,488
Commingled equity index fund	805,977	802,185		689,690
Total investments	6,214,377	6,250,734		5,320,664
Receivables:				
Employer contributions, less allowance for uncollectible contributions (2)	324,691	327,935		314,320
Other, primarily investment related	60,385	64,883		59,202
Total receivables	385,076	392,818		373,522
Cash	158	528		480
Assets held in securities lending program	1,253,493	1,135,814		1,208,837
Other, primarily fixed assets - net	23,347	17,689		5,909
Total assets	7,876,451	7,797,583		6,909,412
<b>LIABILITIES</b>				
Estimated benefits (3)(4)	415,562	472,811		421,977
Liability to return collateral held under securities lending agreements	1,253,493	1,135,814		1,208,837
Checks drawn against future deposits	13,125	12,596		11,630
Investment related	81,907	164,705		96,590
Accounts payable and accrued expenses (5)	102,946	47,262		120,152
Total liabilities	1,867,033	1,833,188		1,859,186
<b>NET ASSETS</b>	<b>\$ 6,009,418</b>	<b>5,964,395</b>		<b>5,050,226</b>

**Note(s):**

(1) Does not include final year end adjustments.				
(2) Allowance for uncollectible contributions:	\$ 2,407	2,137		3,669
(3) Includes estimated claims liability adjustments:	\$ 0	0		21,205
(4) Includes claims accrued in December and paid the following January:	\$ 0	57,249		39,785
(5) Includes deferred UPS revenue:	\$ 15,724	27,517		101,029

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

	March 31, 2018	December 31, 2017	(1)	2016
<b>ASSETS</b>				
Investments:				
Cash equivalents	\$ 1,098,225	1,123,427		708,395
Fixed income	3,862,515	3,869,526		3,529,618
U.S. equity	143,336	146,645		133,473
International equity	304,324	308,951		259,488
Commingled equity index fund	805,977	802,185		689,690
Total investments	6,214,377	6,250,734		5,320,664
Receivables:				
Employer contributions, less allowance for uncollectible contributions (2)	324,691	327,935		314,320
Other, primarily investment related	60,385	64,883		59,202
Total receivables	385,076	392,818		373,522
Cash				
	158	528		480
Assets held in securities lending program	1,253,493	1,135,814		1,208,837
Other, primarily fixed assets - net	23,347	17,689		5,909
Total assets	7,876,451	7,797,583		6,909,412
<b>LIABILITIES</b>				
Estimated benefits (3)(4)	404,903	462,152		411,318
Interest in assets of Retiree Plan	555,478	527,146		369,689
Liability to return collateral held under securities lending agreements	1,253,493	1,135,814		1,208,837
Checks drawn against future deposits	13,125	12,596		11,630
Investment related	81,907	164,705		96,590
Accounts payable and accrued expenses (5)	102,946	47,262		120,152
Total liabilities	2,411,852	2,349,675		2,218,216
<b>NET ASSETS</b>	\$ 5,464,599	5,447,908		4,691,196

Note(s):

(1) Does not include final year end adjustments.

(2) Allowance for uncollectible contributions:

	\$ 2,407	2,137	3,669
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(3) Includes estimated claims liability adjustments:

	\$ 0	0	21,739
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(4) Includes claims accrued in December and paid the following January:

	\$ 0	57,249	39,785
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(5) Includes deferred UPS revenue:

	\$ 15,724	27,517	101,029
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Central States, Southeast and Southwest Areas Health and Welfare Fund Retiree Plan  
Statement of Net Assets  
(In thousands)

	<u>March 31,</u> <u>2018</u>	<u>2017</u>	<u>December 31,</u> <u>(1)</u>	<u>2016</u>
<b>ASSETS</b>				
Interest in assets of Active Plan	\$ 555,478	527,146		369,689
<b>Current benefit obligations</b>				
Claims incurred but not reported	10,659	10,659		10,659
<b>NET ASSETS</b>	<u>\$ 544,819</u>	<u>516,487</u>		<u>359,030</u>

Note(s):

(1) Does not include final year end adjustments.

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

	March		Three Months Ended March	
	2018	2017	2018	2017
<b>Revenue:</b>				
Contributions	\$ 328,521	250,637	855,096	756,081
Recognized portion of UPS lump sum	3,931	6,126	11,793	18,378
Total revenue	332,452	256,763	866,889	774,459
 <b>Benefits and expenses:</b>				
Benefits	264,218	263,407	756,926	726,716
TeamCare administrative fees	6,534	6,298	19,983	19,578
General and administrative expenses	7,242	6,368	20,658	18,439
Total benefits and expenses	277,994	276,073	797,567	764,733
Operating gain(loss)	54,458	(19,310)	69,322	9,726
 <b>Investment income(loss):</b>				
Interest and dividends	12,400	9,799	35,144	26,533
Realized and unrealized gain(loss) on investments, net	(21,353)	1,176	(57,164)	67,642
Investment expenses	(855)	(650)	(2,279)	(2,218)
Net investment income(loss)	(9,808)	10,325	(24,299)	91,957
Change in net assets	44,650	(8,985)	45,023	101,683
 <b>NET ASSETS:</b>				
Beginning of period	5,964,768	5,160,894	5,964,395	5,050,226
End of period	\$ 6,009,418	5,151,909	6,009,418	5,151,909

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

	Years Ended				
	2017	(1)	2016	2015	2014
<b>Revenue:</b>					
Contributions	\$ 3,356,485		3,251,235	2,973,546	2,095,455
Recognized portion of UPS lump sum	73,512		85,812	98,112	1,428,917
Total revenue	<u>3,429,997</u>		<u>3,337,047</u>	<u>3,071,658</u>	<u>3,524,372</u>
<b>Benefits and expenses:</b>					
Benefits	2,691,199		2,633,617	2,430,448	1,706,828
TeamCare administrative fees	77,252		77,612	73,573	54,105
General and administrative expenses	77,265		73,107	67,057	67,328 (2)
Total benefits and expenses	<u>2,845,716</u>		<u>2,784,336</u>	<u>2,571,078</u>	<u>1,828,261</u>
Operating gain(loss)	584,281		552,711	500,580	1,696,111
<b>Investment income(loss):</b>					
Interest and dividends	118,616		99,689	65,839	35,738
Realized and unrealized gain(loss) on investments, net	219,873		89,197	(65,274)	72,639
Investment expenses	(8,601)		(7,439)	(4,818)	(1,819)
Net investment income(loss)	<u>329,888</u>		<u>181,447</u>	<u>(4,253)</u>	<u>106,558</u>
Change in net assets	914,169		734,158	496,327	1,802,669
<b>NET ASSETS:</b>					
Beginning of period	<u>5,050,226</u>		<u>4,316,068</u>	<u>3,819,741</u>	<u>2,017,072</u>
End of period	<u>\$ 5,964,395</u>		<u>5,050,226</u>	<u>4,316,068</u>	<u>3,819,741</u>

**Note(s):**

- (1) Does not include final year end adjustments.  
(2) 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)

	March	Three Months Ended March	Years Ended	
	2018	2018	2017	(1) 2016
<b>Revenue:</b>				
Contributions	\$ 301,905	784,456	3,084,336	3,140,932
Recognized portion of UPS lump sum	3,931	11,793	73,512	85,812
Total revenue	<u>305,836</u>	<u>796,249</u>	<u>3,157,848</u>	<u>3,226,744</u>
<b>Benefits and expenses:</b>				
Benefits	250,874	718,882	2,557,677	2,517,186
TeamCare administrative fees	6,207	18,984	73,588	74,197
General and administrative expenses	6,880	19,625	73,668	69,891
Total benefits and expenses	<u>263,961</u>	<u>757,491</u>	<u>2,704,933</u>	<u>2,661,274</u>
Operating gain(loss)	41,875	38,758	452,915	565,470
Retiree Plan Funding	0	0	0	(173,000)
Net investment income(loss)	<u>(8,925)</u>	<u>(22,067)</u>	<u>303,797</u>	<u>170,913</u>
Change in net assets	32,950	16,691	756,712	563,383
<b>NET ASSETS:</b>				
Beginning of period	<u>5,431,649</u>	<u>5,447,908</u>	<u>4,691,196</u>	<u>4,127,813</u>
End of period	<u>\$ 5,464,599</u>	<u>5,464,599</u>	<u>5,447,908</u>	<u>4,691,196</u>

**Note(s):**

(1) Does not include final year end adjustments.

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

	March	Three Months Ended March	Years Ended	
	2018	2018	2017	(1) 2016
Contributions	\$ 26,616	70,640	272,149	110,303
Benefits and expenses:				
Benefits	13,344	38,044	133,522	116,431
TeamCare administrative fees	327	999	3,664	3,415
General and administrative expenses	362	1,033	3,597	3,216
Total benefits and expenses	<u>14,033</u>	<u>40,076</u>	<u>140,783</u>	<u>123,062</u>
Operating gain(loss)	12,583	30,564	131,366	(12,759)
Retiree Plan Funding Transfer	0	0	0	173,000
Net investment income(loss)	<u>(883)</u>	<u>(2,232)</u>	<u>26,091</u>	<u>10,534</u>
Change in net assets	11,700	28,332	157,457	170,775
<b>NET ASSETS:</b>				
Beginning of period	<u>533,119</u>	<u>516,487</u>	<u>359,030</u>	<u>188,255</u>
End of period	<u>\$ 544,819</u>	<u>544,819</u>	<u>516,487</u>	<u>359,030</u>

Note(s):

(1) Does not include final year end adjustments.

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

	March		Three Months Ended March	
	2018	2017	2018	2017
<b>Operations:</b>				
Contributions	\$ 266,040	254,896	863,058	822,088
Benefits paid, net (1)	(218,289)	(202,387)	(718,755)	(670,437)
	<u>47,751</u>	<u>52,509</u>	<u>144,303</u>	<u>151,651</u>
Payroll	(3,768)	(3,265)	(10,468)	(9,219)
Employee benefits	(1,568)	(1,429)	(5,022)	(4,610)
Fees, services and software (primarily TeamCare)	(7,414)	(6,917)	(21,042)	(22,091)
Rent	(272)	(262)	(837)	(786)
Office	(671)	(610)	(2,401)	(1,981)
Other	(913)	(254)	(4,156)	1,503
	<u>(14,806)</u>	<u>(12,737)</u>	<u>(43,926)</u>	<u>(37,184)</u>
Net from operations	33,145	39,772	100,377	114,467
Investments, net	<u>(33,193)</u>	<u>(39,837)</u>	<u>(100,747)</u>	<u>(114,624)</u>
Change in cash	(48)	(65)	(370)	(157)
<b>Cash:</b>				
Beginning of period	<u>206</u>	<u>388</u>	<u>528</u>	<u>480</u>
End of period	<u>\$ 158</u>	<u>323</u>	<u>158</u>	<u>323</u>
<b>Note(s):</b>				
(1) Includes change in overdraft of:	\$ (259)	792	529	1,010

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

	Years Ended			
	2017	2016	2015	2014
<b>Operations:</b>				
Contributions	\$ 3,338,981	3,179,305	2,924,805	2,009,387
UPS lump sum	0	0	0	1,713,870
Benefits paid, net (1)	<u>(2,637,759)</u>	<u>(2,622,186)</u>	<u>(2,338,290)</u>	<u>(1,615,150)</u>
	<u>701,222</u>	<u>557,119</u>	<u>586,515</u>	<u>2,108,107</u>
Payroll	(36,731)	(35,247)	(31,516)	(26,720)
Employee benefits	(18,591)	(17,819)	(15,630)	(13,732)
Fees, services and software (primarily TeamCare)	(86,323)	(82,165)	(77,970)	(56,233)
Rent	(3,111)	(3,022)	(2,962)	(2,852)
Office (2)	(8,350)	(8,079)	(19,335)	(6,030)
Other	<u>(11,715)</u>	<u>2,308</u>	<u>(1,697)</u>	<u>(5,677)</u>
	<u>(164,821)</u>	<u>(144,024)</u>	<u>(149,110)</u>	<u>(111,244)</u>
Net from operations	536,401	413,095	437,405	1,996,863
Investments, net	<u>(536,353)</u>	<u>(412,702)</u>	<u>(437,393)</u>	<u>(1,996,820)</u>
Change in cash	48	393	12	43
<b>Cash:</b>				
Beginning of period	<u>480</u>	<u>87</u>	<u>75</u>	<u>32</u>
End of period	<u>\$ 528</u>	<u>480</u>	<u>87</u>	<u>75</u>
<b>Note(s):</b>				
(1) Includes change in overdraft of:	\$ 966	220	2,487	4,062
(2) Includes transitional reinsurance fee:	\$ 0	0	11,735	0

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# Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees  
June 2015 Through February 2018

