

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
SEPTEMBER 30, 2018

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
SEPTEMBER 30, 2018

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

*Includes Active Plan and Retiree Plan

**HEALTH & WELFARE FUND
FINANCIAL REPORT
September 30, 2018 and the Nine Months Then Ended
(Dollars in Thousands)**

1. Net assets were \$6,303,489 at September 30, 2018, compared to \$5,927,065 at December 31, 2017, an increase of \$376,424 compared to an increase of \$663,045 for the same period last year.

The \$286,621 difference is due to \$145,365 less net investment income combined with \$141,256 less net operating income.

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

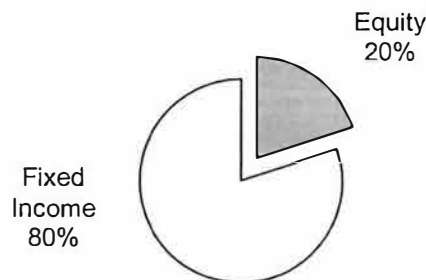
As of:	Actives	Retirees
August 2018	193,043	8,199
December 2017	190,931	7,505
Eight-months average:		
August 2018	192,046	7,853
August 2017	189,751	6,810
% increase	1.21%	15.32%

3. For the nine months ended September 2018, the Fund's net operating gain was \$267,884 compared to a gain of \$409,140 for the same period in 2017, or a \$141,256 unfavorable change:

- \$111,276 more contributions primarily due to increases in rates,
- (\$245,199) more benefits,
- (\$1,996) more TeamCare administrative fees and
- (\$5,337) more general and administrative expenses.

4. During the nine months ended September 2018 and 2017, the Fund transferred \$236,391 and \$415,393, respectively, to investments as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of September 30, 2018:



Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Position
 September 30, 2018
 (Dollar amounts in thousands)

	September 30, 2018	December 31, 2017	Change in Net Assets	
			Dollars	Percentage
Total investments	\$ 6,437,285	6,250,734	186,551	3.1
Investment related assets	891,011	1,164,314	(273,303)	(4.6)
Employer contributions receivable, net	350,485	327,935	22,550	0.4
Other assets	<u>47,148</u>	<u>54,600</u>	<u>(7,452)</u>	<u>(0.1)</u>
Total assets	<u>7,725,929</u>	<u>7,797,583</u>	<u>(71,654)</u>	<u>(1.2)</u>
Investment related liabilities	871,457	1,303,037	431,580	7.3
Estimated benefits	452,892	510,141	57,249	1.0
Other liabilities	<u>98,091</u>	<u>57,340</u>	<u>(40,751)</u>	<u>(0.7)</u>
Total liabilities	<u>1,422,440</u>	<u>1,870,518</u>	<u>448,078</u>	<u>7.6</u>
NET ASSETS	\$ <u><u>6,303,489</u></u>	<u><u>5,927,065</u></u>	<u><u>376,424</u></u>	<u><u>6.4</u></u>

FOR INTERNAL USE ONLY

Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations
 September 30, 2018
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2018	2017	Dollars	Percentage
<u>INCOME & EXPENSES</u>				
Contributions	\$ 2,631,572	2,492,679	138,893 (1)	5.6
Recognized portion of UPS lump sum	27,517	55,134	(27,617)	(50.1)
Benefits	2,267,289	2,022,090	(245,199)	(12.1)
TeamCare administrative fees	61,920	59,924	(1,996)	(3.3)
General and administrative expenses	<u>61,996</u>	<u>56,659</u>	<u>(5,337)</u>	(9.4)
Operating gain(loss)	267,884	409,140	(141,256)	N/A
Net investment income(loss)	<u>108,540</u>	<u>253,905</u>	<u>(145,365)</u>	N/A
Change in net assets	<u>\$ 376,424</u>	<u>663,045</u>	<u>(286,621)</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	86.2 %	81.1 %		
General and administrative expenses to:				
Contributions	2.4 %	2.3 %		
Benefits	2.7 %	2.8 %		
Eight-month average FTEs	192,046	189,751		
Contributions per average FTE	\$ 13,703	13,137		
Benefits per average FTE	\$ 11,806	10,657		

Note(s):

(1) Primarily increases in rates.

FOR INTERNAL USE ONLY

Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Current and Projected Operations
 September 30, 2018
 (Dollar amounts in thousands)

	Actual through September 2018	Projection		Year Ending December 2018
		October 2018	Remainder of 2018	
Contributions	\$ 2,659,089	279,200	629,811	3,568,100
Benefits	2,267,289	270,800	436,411	2,974,500
TeamCare administrative fees	61,920	6,900	13,780	82,600
General and administrative expenses	<u>61,996</u>	<u>6,600</u>	<u>13,104</u>	<u>81,700</u>
Operating gain(loss)	267,884	(5,100)	166,516	429,300
Net investment income(loss)	<u>108,540</u>	<u>18,900</u>	<u>38,260</u>	<u>165,700</u>
Change in net assets	\$ <u><u>376,424</u></u>	<u><u>13,800</u></u>	<u><u>204,776</u></u>	<u><u>595,000</u></u>

Assumptions used in 2018 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 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.

FOR INTERNAL USE ONLY

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

	September 30, 2018	December 31,	
		2017	2016
ASSETS			
Investments:			
Cash equivalents	\$ 1,096,779	1,123,427	708,395
Fixed income	4,039,601	3,869,526	3,529,618
U.S. equity	174,363	146,645	133,473
International equity	303,052	308,951	259,488
Commingled equity index fund	823,490	802,185	689,690
Total investments	6,437,285	6,250,734	5,320,664
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	350,485	327,935	314,320
Other, including investment related	89,193	64,883	59,202
Total receivables	439,678	392,818	373,522
Cash	122	528	480
Assets held in securities lending program	809,577	1,135,814	1,208,837
Other, primarily fixed assets - net	39,267	17,689	5,909
Total assets	7,725,929	7,797,583	6,909,412
LIABILITIES			
Estimated benefits (2)(3)	452,892	510,141	421,977
Liability to return collateral held under securities lending agreements	809,577	1,135,814	1,208,837
Checks drawn against future deposits	13,698	12,596	11,630
Investment related	57,596	164,705	96,590
Accounts payable and accrued expenses (4)	88,677	47,262	120,152
Total liabilities	1,422,440	1,870,518	1,859,186
NET ASSETS	\$ 6,303,489	5,927,065	5,050,226

Note(s):

(1) Allowance for uncollectible contributions:	\$ 3,635	3,167	5,526
(2) Includes estimated claims liability adjustments:	\$ 0	88,164	21,205
(3) Includes claims accrued in December and paid the following January:	\$ 0	57,249	39,785
(4) Includes deferred UPS revenue:	\$ 0	27,517	101,029

FOR INTERNAL USE ONLY

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>2016</u>
ASSETS			
Investments:			
Cash equivalents	\$ 1,096,779	1,123,427	708,395
Fixed income	4,039,601	3,869,526	3,529,618
U.S. equity	174,363	146,645	133,473
International equity	303,052	308,951	259,488
Commingled equity index fund	823,490	802,185	689,690
Total investments	<u>6,437,285</u>	<u>6,250,734</u>	<u>5,320,664</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	350,485	327,935	314,320
Other, including investment related	89,193	64,883	59,202
Total receivables	<u>439,678</u>	<u>392,818</u>	<u>373,522</u>
Cash	122	528	480
Assets held in securities lending program	809,577	1,135,814	1,208,837
Other, primarily fixed assets - net	39,267	17,689	5,909
Total assets	<u>7,725,929</u>	<u>7,797,583</u>	<u>6,909,412</u>
LIABILITIES			
Estimated benefits (2)(3)	437,872	495,121	411,318
Interest in assets of Retiree Plan	634,032	534,531	369,689
Liability to return collateral held under securities lending agreements	809,577	1,135,814	1,208,837
Checks drawn against future deposits	13,698	12,596	11,630
Investment related	57,596	164,705	96,590
Accounts payable and accrued expenses (4)	88,677	47,262	120,152
Total liabilities	<u>2,041,452</u>	<u>2,390,029</u>	<u>2,218,216</u>
NET ASSETS	<u>\$ 5,684,477</u>	<u>5,407,554</u>	<u>4,691,196</u>
 Note(s):			
(1) Allowance for uncollectible contributions:	\$ 3,635	3,167	5,526
(2) Includes estimated claims liability adjustments:	\$ 0	83,803	21,739
(3) Includes claims accrued in December and paid the following January:	\$ 0	57,249	39,785
(4) Includes deferred UPS revenue:	\$ 0	27,517	101,029

FOR INTERNAL USE ONLY

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

	September 30, 2018	December 31, 2017	December 31, 2016
ASSETS			
Interest in assets of Active Plan	\$ 634,032	534,531	369,689
Current benefit obligations			
Claims incurred but not reported	15,020	15,020	10,659
NET ASSETS	\$ 619,012	519,511	359,030

FOR INTERNAL USE ONLY

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

	September		Nine Months Ended September	
	2018	2017	2018	2017
Revenue:				
Contributions	\$ 351,921	326,591	2,631,572	2,492,679
Recognized portion of UPS lump sum	0	6,126	27,517	55,134
Total revenue	351,921	332,717	2,659,089	2,547,813
 Benefits and expenses:				
Benefits	235,093	217,747	2,267,289	2,022,090
TeamCare administrative fees	7,158	7,146	61,920	59,924
General and administrative expenses	6,892	6,678	61,996	56,659
Total benefits and expenses	249,143	231,571	2,391,205	2,138,673
 Operating gain(loss)	 102,778	 101,146	 267,884	 409,140
 Investment income(loss):				
Interest and dividends	13,794	10,461	117,433	87,611
Realized and unrealized gain(loss) on investments, net	(13,938)	13,231	(2,014)	172,751
Investment expenses	(756)	(667)	(6,879)	(6,457)
Net investment income(loss)	(900)	23,025	108,540	253,905
 Change in net assets	 101,878	 124,171	 376,424	 663,045
 NET ASSETS:				
Beginning of period	6,201,611	5,589,100	5,927,065	5,050,226
End of period	\$ 6,303,489	5,713,271	6,303,489	5,713,271

FOR INTERNAL USE ONLY

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

	Years Ended			
	2017	2016	2015	2014
Revenue:				
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>
Benefits and expenses:				
Benefits	2,728,529	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 (1)
Total benefits and expenses	<u>2,883,046</u>	<u>2,784,336</u>	<u>2,571,078</u>	<u>1,828,261</u>
Operating gain(loss)	546,951	552,711	500,580	1,696,111
Investment income(loss):				
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	876,839	734,158	496,327	1,802,669
NET ASSETS:				
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>\$ 5,927,065</u>	<u>5,050,226</u>	<u>4,316,068</u>	<u>3,819,741</u>

Note(s):

(1) Includes transitional reinsurance fee of \$11,735.

FOR INTERNAL USE ONLY

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	
	2018	2018	2017	2016
Revenue:				
Contributions	\$ 324,633	2,417,141	3,084,336	3,140,932
Recognized portion of UPS lump sum	0	27,517	73,512	85,812
Total revenue	<u>324,633</u>	<u>2,444,658</u>	<u>3,157,848</u>	<u>3,226,744</u>
Benefits and expenses:				
Benefits	223,395	2,148,251	2,597,092	2,517,186
TeamCare administrative fees	6,779	58,747	73,544	74,197
General and administrative expenses	6,527	58,820	73,556	69,891
Total benefits and expenses	<u>236,701</u>	<u>2,265,818</u>	<u>2,744,192</u>	<u>2,661,274</u>
Operating gain(loss)	87,932	178,840	413,656	565,470
Retiree Plan Funding	0	0	0	(173,000)
Net investment income(loss)	<u>(812)</u>	<u>98,083</u>	<u>302,702</u>	<u>170,913</u>
Change in net assets	87,120	276,923	716,358	563,383
NET ASSETS:				
Beginning of period	<u>5,597,357</u>	<u>5,407,554</u>	<u>4,691,196</u>	<u>4,127,813</u>
End of period	<u>\$ 5,684,477</u>	<u>5,684,477</u>	<u>5,407,554</u>	<u>4,691,196</u>

FOR INTERNAL USE ONLY

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	
	2018	2018	2017	2016
Contributions	\$ 27,288	214,431	272,149	110,303
Benefits and expenses:				
Benefits	11,698	119,038	131,437	116,431
TeamCare administrative fees	379	3,173	3,708	3,415
General and administrative expenses	365	3,176	3,709	3,216
Total benefits and expenses	<u>12,442</u>	<u>125,387</u>	<u>138,854</u>	<u>123,062</u>
Operating gain(loss)	14,846	89,044	133,295	(12,759)
Retiree Plan Funding Transfer	0	0	0	173,000
Net investment income(loss)	<u>(88)</u>	<u>10,457</u>	<u>27,186</u>	<u>10,534</u>
Change in net assets	14,758	99,501	160,481	170,775
NET ASSETS:				
Beginning of period	<u>604,254</u>	<u>519,511</u>	<u>359,030</u>	<u>188,255</u>
End of period	<u>\$ 619,012</u>	<u>619,012</u>	<u>519,511</u>	<u>359,030</u>

FOR INTERNAL USE ONLY

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

	September		Nine Months Ended September	
	2018	2017	2018	2017
Operations:				
Contributions	\$ 270,276	265,890	2,607,581	2,485,321
Benefits paid, net (1)	(222,086)	(174,078)	(2,227,187)	(1,955,550)
	<u>48,190</u>	<u>91,812</u>	<u>380,394</u>	<u>529,771</u>
Payroll	(2,920)	(3,341)	(29,752)	(26,524)
Employee benefits	(1,600)	(1,500)	(15,334)	(13,781)
Fees, services and software (primarily TeamCare)	(7,633)	(7,626)	(66,032)	(65,764)
Rent, including equipment	(337)	(255)	(2,616)	(2,342)
Office	(713)	(554)	(7,131)	(6,121)
Other	(1,539)	(4,475)	(23,649)	(242)
	<u>(14,742)</u>	<u>(17,751)</u>	<u>(144,514)</u>	<u>(114,774)</u>
Net from operations	33,448	74,061	235,880	414,997
Investments, net	<u>(33,790)</u>	<u>(74,271)</u>	<u>(236,286)</u>	<u>(415,364)</u>
Change in cash	(342)	(210)	(406)	(367)
Cash:				
Beginning of period	<u>464</u>	<u>323</u>	<u>528</u>	<u>480</u>
End of period	<u>\$ 122</u>	<u>113</u>	<u>122</u>	<u>113</u>
<u>Note(s):</u>				
(1) Includes change in overdraft of:	\$ (2,117)	(466)	1,102	400

FOR INTERNAL USE ONLY

6a

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

	Years Ended			
	2017	2016	2015	2014
Operations:				
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, including equipment	(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
Cash:				
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>
Note(s):				
(1) Includes change in overdraft of:	\$ 966	220	2,487	4,062
(2) Includes transitional reinsurance fee:	\$ 0	0	11,735	0

FOR INTERNAL USE ONLY
6b

Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 2015 Through August 2018

