

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
SEPTEMBER 30, 2018

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**PENSION FUND
FINANCIAL REPORT**
September 30, 2018 and the Nine Months Then Ended
Dollars in Thousands

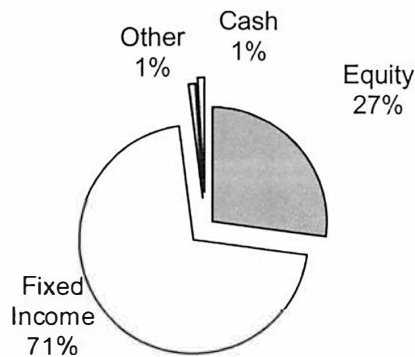
1. Net assets were \$14,080,956 at September 30, 2018, compared to \$15,011,652 at December 31, 2017, a decrease of \$930,696 compared to a decrease of \$168,849 for the same period last year.

The \$761,847 difference is due to \$1,184,033 less net investment income offset by \$422,186 less net operating loss.

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

	Actives	Retirees
As of:		
August 2018	54,394	200,715
December 2017	55,952	201,835
Eight-months average:		
August 2018	54,211	201,166
August 2017	58,112	202,614
% decrease	(6.71)%	(0.71)%

3. For the nine months ended September 2018, the Fund's net operating loss was \$1,188,506 compared to a loss of \$1,610,692 for the same period in 2017, or a \$422,186 favorable change:
- \$434,010 more contributions, primarily due to an increase in withdrawal liability income (The Kroger Co.),
 - (\$13,216) more benefits and
 - \$1,392 less general and administrative expenses.
4. During the nine months ended September 2018 and 2017, the Fund withdrew \$1,172,186 and \$1,800,931 respectively, from investment assets to fund the cash operating deficits.
5. Investment asset allocation as of September 30, 2018:



Central States, Southeast and Southwest Areas Pension 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
Investments:				
Cash equivalents	\$ 240,773	334,973	(94,200)	(0.6)
Fixed income	9,326,981	7,733,261	1,593,720	10.6
Equity	4,095,239	6,559,959	(2,464,720)	(16.4)
Other	138,331	183,205	(44,874)	(0.3)
Total investments	<u>13,801,324</u>	<u>14,811,398</u>	<u>(1,010,074)</u>	<u>(6.7)</u>
Investment related assets	3,515,404	3,778,576	(263,172)	(1.8)
Employer contributions receivable, net	78,737	82,126	(3,389)	-
Other assets	<u>5,104</u>	<u>7,522</u>	<u>(2,418)</u>	<u>-</u>
Total assets	<u>17,400,569</u>	<u>18,679,622</u>	<u>(1,279,053)</u>	<u>(8.5)</u>
Investment related liabilities	3,232,253	3,591,959	359,706	2.4
Other liabilities	<u>87,360</u>	<u>76,011</u>	<u>(11,349)</u>	<u>(0.1)</u>
Total liabilities	<u>3,319,613</u>	<u>3,667,970</u>	<u>348,357</u>	<u>2.3</u>
NET ASSETS	<u>\$ 14,080,956</u>	<u>15,011,652</u>	<u>(930,696)</u>	<u>(6.2)</u>

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Central States, Southeast and Southwest Areas Pension 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 (includes W/L)	\$ 966,050	532,040	434,010 (1)	(5.7) (2)
Benefits	2,121,780	2,108,564	(13,216)	(0.6)
General and administrative expenses	<u>32,776</u>	<u>34,168</u>	<u>1,392</u>	4.1
Operating gain(loss)	(1,188,506)	(1,610,692)	422,186	N/A
Net investment income(loss)	<u>257,810</u>	<u>1,441,843</u>	<u>(1,184,033)</u>	N/A
Change in net assets	<u>\$ (930,696)</u>	<u>(168,849)</u>	<u>(761,847)</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions (2)	423.1 %	396.3 %		
General and administrative expenses to:				
Contributions (2)	6.5 %	6.4 %		
Benefits	1.5 %	1.6 %		
Eight-month average FTEs	54,211	58,112		
Contributions per average FTE (2)	\$ 9,250	9,155		
Benefits per average FTE	\$ 39,139	36,284		
Pensioners and beneficiaries				
- current month	200,690	202,060		
Current month average benefit per pensioner and beneficiary	\$ 1,170	1,157		

Note(s):

(1) Increase in withdrawal liability income (\$416.9 million from The Kroger Co. and \$47.7 million from Southstar LLC).

(2) 2018 statistics exclude \$464.6 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
 September 30, 2018
 (Dollar amounts in thousands)

	Actual through September 2018	October 2018	Projection Remainder of 2018	Year Ending December 2018
Contributions (includes W/L)	\$ 966,050	52,300	119,950	1,138,300
Benefits	2,121,780	236,100	472,320	2,830,200
General and administrative expenses	<u>32,776</u>	<u>3,900</u>	<u>7,824</u>	<u>44,500</u>
Operating gain(loss)	<u>\$ (1,188,506)</u>	<u>(187,700)</u>	<u>(360,194)</u>	<u>(1,736,400)</u>

Assumptions Used in 2018 Projections

Contributions - No change in plan mix and \$545.9 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>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>2016</u>
ASSETS			
Investments:			
Cash equivalents	\$ 240,773	334,973	762,529
Fixed income	9,326,981	7,733,261	4,459,342
Equity	4,095,239	6,559,959	9,747,360
Other	138,331	183,205	205,026
Total investments	<u>13,801,324</u>	<u>14,811,398</u>	<u>15,174,257</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	78,737	82,126	74,176
Interest and dividends	74,213	58,691	54,569
Other, including investment related	457,420	427,479	713,653
Total receivables	<u>610,370</u>	<u>568,296</u>	<u>842,398</u>
Cash	545	1,715	545
Assets held in securities lending program	2,983,953	3,292,721	1,634,039
Other, primarily furniture and equipment - net	4,377	5,492	7,276
Total assets	<u>17,400,569</u>	<u>18,679,622</u>	<u>17,658,515</u>
LIABILITIES			
Liability to return collateral held under securities lending agreements	2,983,953	3,292,721	1,634,039
Investment related	240,423	291,542	681,294
Accounts payable and accrued expenses (2)	90,463	79,062	71,727
Deferred withdrawal liability receipts	4,774	4,645	3,922
Total liabilities	<u>3,319,613</u>	<u>3,667,970</u>	<u>2,390,982</u>
NET ASSETS	<u>\$ 14,080,956</u>	<u>15,011,652</u>	<u>15,267,533</u>
Note(s):			
(1) Allowance for uncollectible contributions:	\$ 60,299	58,795	72,197
Reserve for YRC included in above allowance:	\$ 37,795	37,795	55,509
(2) Includes a liability for 401(h) plan assets:	\$ 61,202	60,083	52,842

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

	September		Nine Months Ended September	
	2018	2017	2018	2017
Revenue:				
Contributions	\$ 58,218	58,790	436,249	449,753
Withdrawal liability	7,777	8,350	529,801 (1)	82,287
Total revenue	<u>65,995</u>	<u>67,140</u>	<u>966,050</u>	<u>532,040</u>
Benefits and expenses:				
Benefits to participants	236,173	234,794	2,121,780	2,108,564
General and administrative expenses	3,478	3,929	32,776	34,168
Total benefits and expenses	<u>239,651</u>	<u>238,723</u>	<u>2,154,556</u>	<u>2,142,732</u>
Operating gain(loss)	(173,656)	(171,583)	(1,188,506)	(1,610,692)
Investment income(loss):				
Interest, dividends and other	26,438	23,475	235,086	228,121
Realized and unrealized gain(loss) on investments, net	(40,642)	84,923	35,850	1,236,496
Investment expenses	(1,522)	(1,984)	(13,126)	(22,774)
Net investment income(loss)	<u>(15,726)</u>	<u>106,414</u>	<u>257,810</u>	<u>1,441,843</u>
Change in net assets	(189,382)	(65,169)	(930,696)	(168,849)
NET ASSETS:				
Beginning of period	<u>14,270,338</u>	<u>15,163,853</u>	<u>15,011,652</u>	<u>15,267,533</u>
End of period	<u>\$ 14,080,956</u>	<u>15,098,684</u>	<u>14,080,956</u>	<u>15,098,684</u>

Note(s):

(1) Includes \$416.9 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 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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Central States, Southeast and Southwest Areas Pension Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	September		Nine Months Ended September	
	2018	2017	2018	2017
Operations:				
Contributions	\$ 43,513	51,573	430,995	451,293
Benefits paid, net (1)(2)	(32,331)	(435,172)	(2,121,237)	(2,308,759)
	<u>11,182</u>	<u>(383,599)</u>	<u>(1,690,242)</u>	<u>(1,857,466)</u>
Payroll	(1,082)	(1,511)	(10,978)	(12,130)
Employee benefits	(532)	(617)	(5,274)	(5,718)
Fees, services and software	(268)	(536)	(3,414)	(3,066)
Rent, including equipment	(114)	(116)	(929)	(1,059)
Office	(225)	(219)	(3,127)	(2,591)
Withdrawal liability receipts	8,186	8,374	538,896 (3)	82,392
Other	3,631	24	1,671	(2,213)
	<u>9,596</u>	<u>5,399</u>	<u>516,845</u>	<u>55,615</u>
Net from operations	<u>20,778</u>	<u>(378,200)</u>	<u>(1,173,397)</u>	<u>(1,801,851)</u>
Investments:				
Net sales(purchases)	(41,932)	357,711	965,850	1,603,870
Interest and dividends	22,560	22,078	219,323	221,194
Management fees	(1,373)	(939)	(12,946)	(22,526)
Investments, net	<u>(20,745)</u>	<u>378,850</u>	<u>1,172,227</u>	<u>1,802,538</u>
Change in cash	33	650	(1,170)	687
Cash:				
Beginning of period	<u>512</u>	<u>582</u>	<u>1,715</u>	<u>545</u>
End of period	<u>\$ 545</u>	<u>1,232</u>	<u>545</u>	<u>1,232</u>

Note(s):

(1) Includes change in overdraft:	\$ (238)	42	543	227
(2) Includes timing for EFT funding:	\$ 204,079	(200,420)	0	(200,420)
(3) Includes \$416.9 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, including equipment	(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

December 2012 Through August 2018

