

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

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**PENSION FUND
FINANCIAL REPORT**
December 31, 2018 and the Twelve Months Then Ended
Does Not Include Final Year End Adjustments
Dollars in Thousands

1. Net assets were \$13,168,236 at December 31, 2018, compared to \$15,011,652 at December 31, 2017, a decrease of \$1,843,416 compared to a decrease of \$255,881 for the same period last year.

The \$1,587,535 difference is due to \$1,905,987 less net investment income offset by \$318,452 less net operating loss.

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

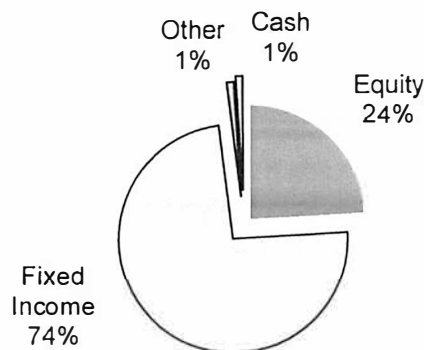
	Actives	Retirees
As of:		
November 2018	54,014	200,673
December 2017	55,963	201,835
Eleven-months average:		
November 2018	54,268	201,045
November 2017	58,150	202,449
% decrease	(6.68)%	(0.69)%

3. For the twelve months ended December 2018, the Fund's net operating loss was \$1,731,554 compared to a loss of \$2,050,006 for the same period in 2017, or a \$318,452 favorable change:

- \$332,770 more contributions, primarily due to an increase in withdrawal liability income (The Kroger Co.),
- (\$16,614) more benefits and
- \$2,296 less general and administrative expenses.

4. During the twelve months ended December 2018 and 2017, the Fund withdrew \$1,720,266 and \$2,052,620 respectively, from investment assets to fund the cash operating deficits.

5. Investment asset allocation as of December 31, 2018:



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

	December 31, 2018 (1)	December 31, 2017	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 273,974	334,973	(60,999)	(0.4)
Fixed income	9,243,651	7,733,261	1,510,390	10.1
Equity	3,260,515	6,559,959	(3,299,444)	(22.0)
Other	136,004	183,205	(47,201)	(0.3)
Total investments	<u>12,914,144</u>	<u>14,811,398</u>	<u>(1,897,254)</u>	<u>(12.6)</u>
Investment related assets	2,878,617	3,778,576	(899,959)	(6.0)
Employer contributions receivable, net	70,486	82,126	(11,640)	(0.1)
Other assets	<u>5,990</u>	<u>7,522</u>	<u>(1,532)</u>	<u>-</u>
Total assets	<u>15,869,237</u>	<u>18,679,622</u>	<u>(2,810,385)</u>	<u>(18.7)</u>
Investment related liabilities	2,627,690	3,591,959	964,269	6.4
Other liabilities	<u>73,311</u>	<u>76,011</u>	<u>2,700</u>	<u>-</u>
Total liabilities	<u>2,701,001</u>	<u>3,667,970</u>	<u>966,969</u>	<u>6.4</u>
NET ASSETS	<u>\$ 13,168,236</u>	<u>15,011,652</u>	<u>(1,843,416)</u>	<u>(12.3)</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, 2018
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		
	2018	(1)	2017	Dollars	Percentage
INCOME & EXPENSES					
Contributions (includes W/L)	\$ 1,142,317		809,547	332,770 (2)	(16.3) (3)
Benefits	2,830,161		2,813,547	(16,614)	(0.6)
General and administrative expenses	<u>43,710</u>		<u>46,006</u>	<u>2,296</u>	5.0
Operating gain(loss)	(1,731,554)		(2,050,006)	318,452	N/A
Net investment income(loss)	<u>(111,862)</u>		<u>1,794,125</u>	<u>(1,905,987)</u>	N/A
Change in net assets	<u>\$ (1,843,416)</u>		<u>(255,881)</u>	<u>(1,587,535)</u>	N/A
OPERATING STATISTICS					
Benefits to contributions (3)	417.6 %		347.5 %		
General and administrative expenses to:					
Contributions (3)	6.4 %		5.7 %		
Benefits	1.5 %		1.6 %		
Eleven-month average FTEs	54,268		58,150		
Contributions per average FTE (3)	\$ 12,488		13,922		
Benefits per average FTE	\$ 52,152		48,384		
Pensioners and beneficiaries - current month	200,576		201,835		
Current month average benefit per pensioner and beneficiary	\$ 1,172		1,160		

Note(s):

(1) Does not include final year end adjustments.

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

(3) 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
For Year Ending December 31, 2019
(Dollar amounts in thousands)

	Projection		
	January 2019	Remainder of 2019	Year Ending December 2019
Contributions (includes W/L)	\$ 62,400	613,300	675,700
Benefits	236,400	2,608,600	2,845,000
General and administrative expenses	<u>3,700</u>	<u>40,900</u>	<u>44,600</u>
Change in net assets before net investment income(loss)	<u>\$ (177,700)</u>	<u>(2,036,200)</u>	<u>(2,213,900)</u>

Assumptions Used in 2019 Projections

Contributions - No change in plan mix and \$84.1 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - 2% increase over 2018.

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

	<u>December 31,</u> <u>2018</u> (1)	<u>December 31,</u>	
		<u>2017</u>	<u>2016</u>
ASSETS			
Investments:			
Cash equivalents	\$ 273,974	334,973	762,529
Fixed income	9,243,651	7,733,261	4,459,342
Equity	3,260,515	6,559,959	9,747,360
Other	<u>136,004</u>	<u>183,205</u>	<u>205,026</u>
Total investments	12,914,144	14,811,398	15,174,257
Receivables:			
Employer contributions, less allowance for uncollectible contributions (2)	70,486	82,126	74,176
Interest and dividends	66,234	58,691	54,569
Other, including investment related	<u>431,317</u>	<u>427,479</u>	<u>713,653</u>
Total receivables	568,037	568,296	842,398
Cash	1,954	1,715	545
Assets held in securities lending program	2,381,248	3,292,721	1,634,039
Other, primarily furniture and equipment - net	<u>3,854</u>	<u>5,492</u>	<u>7,276</u>
Total assets	<u>15,869,237</u>	<u>18,679,622</u>	<u>17,658,515</u>
LIABILITIES			
Liability to return collateral held under securities lending agreements	2,381,248	3,292,721	1,634,039
Investment related	241,709	291,542	681,294
Accounts payable and accrued expenses (3)	73,097	79,062	71,727
Deferred withdrawal liability receipts	<u>4,947</u>	<u>4,645</u>	<u>3,922</u>
Total liabilities	<u>2,701,001</u>	<u>3,667,970</u>	<u>2,390,982</u>
NET ASSETS	<u>\$ 13,168,236</u>	<u>15,011,652</u>	<u>15,267,533</u>

Note(s):

(1) Does not include final year end adjustments.

(2) Allowance for uncollectible contributions:

	\$ 59,760	58,795	72,197
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 Reserve for YRC included in above allowance:

	\$ 37,795	37,795	55,509
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(3) Includes a liability for 401(h) plan assets:

	\$ 59,758	60,083	52,842
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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			
	2018	(1)	2017	2018	(1)	2017
Revenue:						
Contributions	\$ 57,223		69,183	585,869		621,562
Withdrawal liability	12,716		87,437	556,448	(2)	187,985
Total revenue	<u>69,939</u>		<u>156,620</u>	<u>1,142,317</u>		<u>809,547</u>
Benefits and expenses:						
Benefits to participants	235,720		234,697	2,830,161		2,813,547
General and administrative expenses	3,740		4,250	43,710		46,006
Total benefits and expenses	<u>239,460</u>		<u>238,947</u>	<u>2,873,871</u>		<u>2,859,553</u>
Operating gain(loss)	(169,521)		(82,327)	(1,731,554)		(2,050,006)
Investment income(loss):						
Interest, dividends and other	23,637		22,493	312,386		294,896
Realized and unrealized gain(loss) on investments, net	(194,984)		72,664	(407,174)		1,525,729
Investment expenses	(1,166)		(1,194)	(17,074)		(26,500)
Net investment income(loss)	<u>(172,513)</u>		<u>93,963</u>	<u>(111,862)</u>		<u>1,794,125</u>
Change in net assets	(342,034)		11,636	(1,843,416)		(255,881)
NET ASSETS:						
Beginning of period	<u>13,510,270</u>		<u>15,000,016</u>	<u>15,011,652</u>		<u>15,267,533</u>
End of period	<u>\$ 13,168,236</u>		<u>15,011,652</u>	<u>13,168,236</u>		<u>15,011,652</u>

Note(s):

(1) Does not include final year end adjustments.

(2) 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)

	December		Twelve Months Ended December	
	2018	(1)	2017	2017
Operations:				
Contributions	\$ 50,943		61,609	623,525
Benefits paid, net (2)(3)	(31,589)		(235,020)	(2,813,694)
	<u>19,354</u>		<u>(173,411)</u>	<u>(2,190,169)</u>
Payroll	(1,520)		(1,976)	(16,777)
Employee benefits	(571)		(631)	(7,696)
Fees, services and software	(380)		(405)	(4,196)
Rent, including equipment	(99)		(116)	(1,408)
Office (4)	(194)		(275)	(14,063)
Withdrawal liability receipts	12,966		79,044	565,748 (5)
Other	963		(3,035)	(2,669)
	<u>11,165</u>		<u>72,606</u>	<u>521,238</u>
Net from operations	30,519		(100,805)	(1,720,245)
Investments:				
Net sales(purchases)	(49,254)		86,104	1,435,951
Interest and dividends	21,539		18,176	290,993
Management fees	(1,048)		(2,521)	(28,933)
Investments, net	<u>(28,763)</u>		<u>101,759</u>	<u>1,720,484</u>
Change in cash	1,756		954	1,170
Cash:				
Beginning of period	<u>198</u>		<u>761</u>	<u>1,715</u>
End of period	<u>\$ 1,954</u>		<u>1,715</u>	<u>1,715</u>

Note(s):

(1) Does not include final year end adjustments.

(2) Includes change in overdraft: \$ 497 (323) 1,120 (146)

(3) Includes timing for EFT funding: \$ 204,629 0 0 0

(4) Includes PBGC payment: \$ 0 0 (10,835) (10,778)

(5) 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>
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):

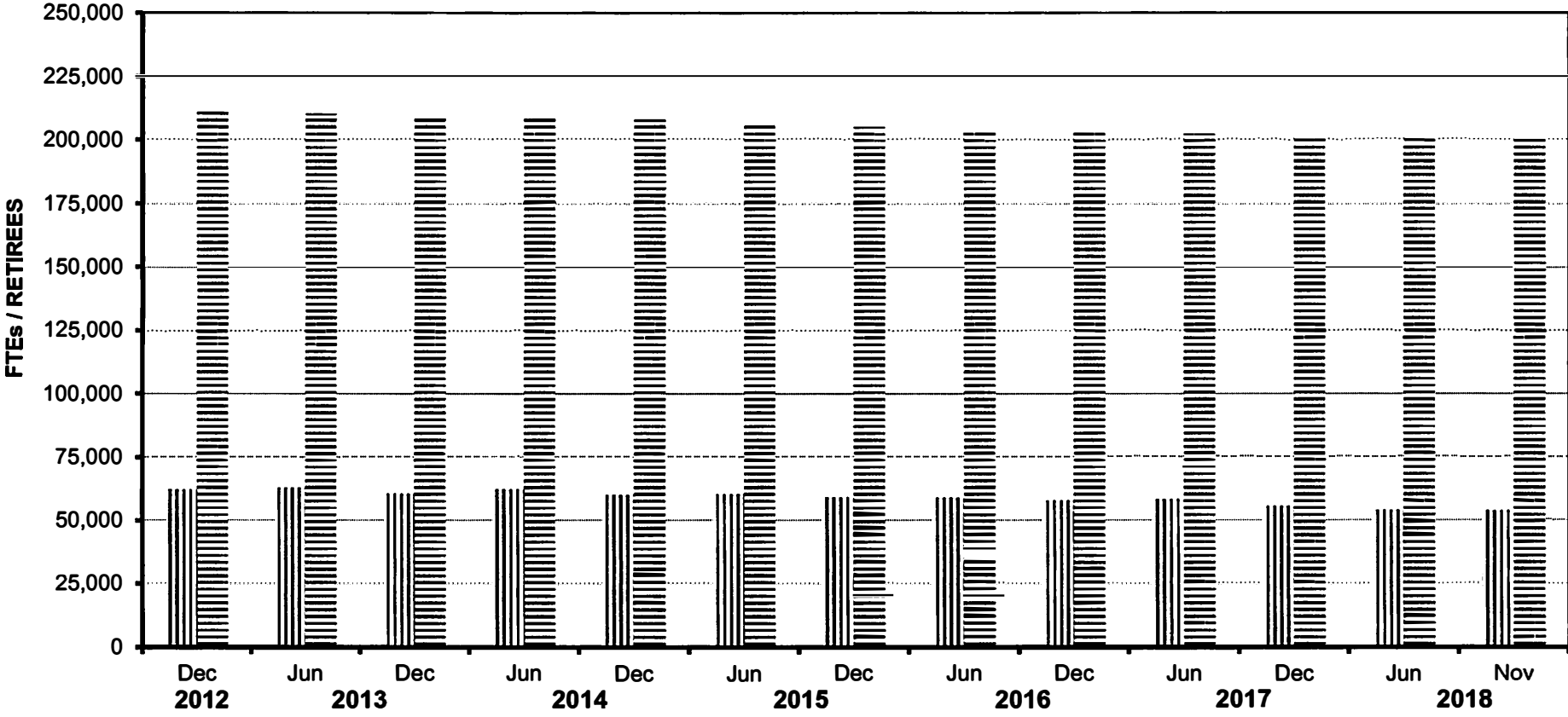
(1) Includes change in overdraft:	\$ (146)	207	210	163
(2) Includes PBGC payment:	\$ (10,778)	(10,555)	(10,335)	(4,820)
(3) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.				

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Central States Pension Fund

Full Time Equivalents vs. Retirees

December 2012 Through November 2018



|| FTEs = RETIREES