

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

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*Includes Active Plan and Retiree Plan

**HEALTH & WELFARE 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 \$6,281,332 at December 31, 2018, compared to \$5,927,065 at December 31, 2017, an increase of \$354,267 compared to an increase of \$876,839 for the same period last year.

The \$522,572 difference is due to \$366,964 less net investment income combined with \$155,608 less net operating income.

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

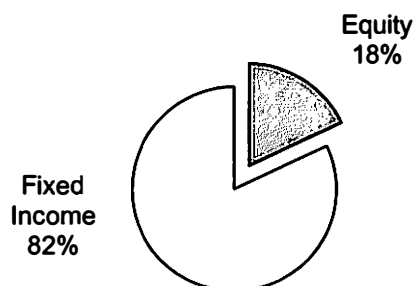
	Actives	Retirees
As of:		
November 2018	196,058	8,317
December 2017	190,978	7,500
Eleven-months average:		
November 2018	193,011	7,956
November 2017	190,014	6,948
% increase	1.58%	14.51%

3. For the twelve months ended December 2018, the Fund's net operating gain was \$391,343 compared to a gain of \$546,951 for the same period in 2017, or a \$155,608 unfavorable change:

- \$157,520 more contributions primarily due to increases in rates,
- (\$301,551) more benefits,
- (\$5,208) more TeamCare administrative fees and
- (\$6,369) more general and administrative expenses.

4. During the twelve months ended December 2018 and 2017, the Fund transferred \$314,293 and \$536,390, respectively, to investments as the operations generated positive cash flows for those periods.

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



Central States, Southeast and Southwest Areas Health and Welfare 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
Total investments	\$ 6,368,893	6,250,734	118,159	2.0
Investment related assets	1,131,750	1,164,314	(32,564)	(0.5)
Employer contributions receivable, net	389,157	327,935	61,222	1.0
Other assets	<u>47,902</u>	<u>54,600</u>	<u>(6,698)</u>	<u>(0.1)</u>
Total assets	<u>7,937,702</u>	<u>7,797,583</u>	<u>140,119</u>	<u>2.4</u>
Investment related liabilities	1,111,534	1,303,037	191,503	3.2
Estimated benefits	513,822	510,141	(3,681)	(0.1)
Other liabilities	<u>31,014</u>	<u>57,340</u>	<u>26,326</u>	<u>0.5</u>
Total liabilities	<u>1,656,370</u>	<u>1,870,518</u>	<u>214,148</u>	<u>3.6</u>
NET ASSETS	\$ <u>6,281,332</u>	<u>5,927,065</u>	<u>354,267</u>	<u>6.0</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
 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
<u>INCOME & EXPENSES</u>					
Contributions	\$ 3,560,000		3,356,485	203,515 (2)	6.1
Recognized portion of UPS lump sum	27,517		73,512	(45,995)	(62.6)
Benefits	3,030,080		2,728,529	(301,551)	(11.1)
TeamCare administrative fees	82,460		77,252	(5,208)	(6.7)
General and administrative expenses	<u>83,634</u>		<u>77,265</u>	<u>(6,369)</u>	(8.2)
Operating gain(loss)	391,343		546,951	(155,608)	N/A
Net investment income(loss)	<u>(37,076)</u>		<u>329,888</u>	<u>(366,964)</u>	N/A
Change in net assets	<u>\$ 354,267</u>		<u>876,839</u>	<u>(522,572)</u>	N/A
<u>OPERATING STATISTICS</u>					
Benefits to contributions	85.1 %		81.3 %		
General and administrative expenses to:					
Contributions	2.3 %		2.3 %		
Benefits	2.8 %		2.8 %		
Eleven-month average FTEs	193,011		190,014		
Contributions per average FTE	\$ 18,445		17,664		
Benefits per average FTE	\$ 15,699		14,360		

Note(s):

(1) Does not include final year end adjustments.

(2) Primarily increases in rates.

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Current and Projected Operations
 For Year Ending December 31, 2019
 (Dollar amounts in thousands)

	Projection (1)		
	January 2019	Remainder of 2019	Year Ending December 2019
Contributions	\$ 277,000	3,467,200	3,744,200
Benefits	285,900	3,060,200	3,346,100
TeamCare administrative fees	7,000	77,000	84,000
General and administrative expenses	<u>7,100</u>	<u>78,200</u>	<u>85,300</u>
Operating gain(loss)	(23,000)	251,800	228,800
Net investment income(loss)	<u>20,900</u>	<u>235,100</u>	<u>256,000</u>
Change in net assets	<u>\$ (2,100)</u>	<u>486,900</u>	<u>484,800</u>

Note(s):

(1) Projection is based upon 2018 results which do not yet include final year end adjustments, most significantly the estimated claims liability adjustment.

Assumptions Used in 2019 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 8% per FTE.

General and administrative expenses - 2% increase over 2018.

Net investment income - Annualized return of 3.9% based on Northern Trust Capital Market assumptions.

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

	December 31, 2018	(1)	December 31, 2017	2016
ASSETS				
Investments:				
Cash equivalents	\$ 885,268		1,123,427	708,395
Fixed income	4,319,670		3,869,526	3,529,618
U.S. equity	143,966		146,645	133,473
International equity	266,278		308,951	259,488
Commingled equity index fund	753,711		802,185	689,690
Total investments	6,368,893		6,250,734	5,320,664
Receivables:				
Employer contributions, less allowance for uncollectible contributions (2)	389,157		327,935	314,320
Other, including investment related	89,793		64,883	59,202
Total receivables	478,950		392,818	373,522
Cash	274		528	480
Assets held in securities lending program	1,046,414		1,135,814	1,208,837
Other, primarily fixed assets - net	43,171		17,689	5,909
Total assets	7,937,702		7,797,583	6,909,412
LIABILITIES				
Estimated benefits (3)(4)	513,822		510,141	421,977
Liability to return collateral held under securities lending agreements	1,046,414		1,135,814	1,208,837
Checks drawn against future deposits	13,943		12,596	11,630
Investment related	62,102		164,705	96,590
Accounts payable and accrued expenses (5)	20,089		47,262	120,152
Total liabilities	1,656,370		1,870,518	1,859,186
NET ASSETS	\$ 6,281,332		5,927,065	5,050,226

Note(s):

(1) Does not include final year end adjustments.				
(2) Allowance for uncollectible contributions:	\$ 4,101		3,167	5,526
(3) Includes estimated claims liability adjustments:	\$ 0		88,164	21,205
(4) Includes claims accrued in December and paid the following January:	\$ 60,930		57,249	39,785
(5) Includes deferred UPS revenue:	\$ 0		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)

	December 31, 2018	December 31, 2017	2016
ASSETS			
Investments:			
Cash equivalents	\$ 885,268	1,123,427	708,395
Fixed income	4,319,670	3,869,526	3,529,618
U.S. equity	143,966	146,645	133,473
International equity	266,278	308,951	259,488
Commingled equity index fund	753,711	802,185	689,690
Total investments	6,368,893	6,250,734	5,320,664
Receivables:			
Employer contributions, less allowance for uncollectible contributions (2)	389,157	327,935	314,320
Other, including investment related	89,793	64,883	59,202
Total receivables	478,950	392,818	373,522
Cash	274	528	480
Assets held in securities lending program	1,046,414	1,135,814	1,208,837
Other, primarily fixed assets - net	43,171	17,689	5,909
Total assets	7,937,702	7,797,583	6,909,412
LIABILITIES			
Estimated benefits (3)(4)	498,802	495,121	411,318
Interest in assets of Retiree Plan	651,097	534,531	369,689
Liability to return collateral held under securities lending agreements	1,046,414	1,135,814	1,208,837
Checks drawn against future deposits	13,943	12,596	11,630
Investment related	62,102	164,705	96,590
Accounts payable and accrued expenses (5)	20,089	47,262	120,152
Total liabilities	2,292,447	2,390,029	2,218,216
NET ASSETS	\$ 5,645,255	5,407,554	4,691,196

Note(s):

(1) Does not include final year end adjustments.			
(2) Allowance for uncollectible contributions:	\$ 4,101	3,167	5,526
(3) Includes estimated claims liability adjustments:	\$ 0	83,803	21,739
(4) Includes claims accrued in December and paid the following January:	\$ 60,930	57,249	39,785
(5) Includes deferred UPS revenue:	\$ 0	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>December 31,</u> <u>2018</u> (1)	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS			
Interest in assets of Active Plan	\$ 651,097	534,531	369,689
Current benefit obligations			
Claims incurred but not reported	15,020	15,020	10,659
NET ASSETS	<u>\$ 636,077</u>	<u>519,511</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)

	December		Twelve Months Ended December	
	2018	(1) 2017	2018	(1) 2017
Revenue:				
Contributions	\$ 357,583	332,692	3,560,000	3,356,485
Recognized portion of UPS lump sum	0	6,126	27,517	73,512
Total revenue	<u>357,583</u>	<u>338,818</u>	<u>3,587,517</u>	<u>3,429,997</u>
Benefits and expenses:				
Benefits	247,950	239,708	3,030,080	2,728,529
TeamCare administrative fees	6,710	5,700	82,460	77,252
General and administrative expenses	7,255	7,902	83,634	77,265
Total benefits and expenses	<u>261,915</u>	<u>253,310</u>	<u>3,196,174</u>	<u>2,883,046</u>
Operating gain(loss)	95,668	85,508	391,343	546,951
Investment income(loss):				
Interest and dividends	14,917	10,896	160,214	118,616
Realized and unrealized gain(loss) on investments, net	(84,244)	12,972	(188,192)	219,873
Investment expenses	(743)	(736)	(9,098)	(8,601)
Net investment income(loss)	<u>(70,070)</u>	<u>23,132</u>	<u>(37,076)</u>	<u>329,888</u>
Change in net assets	25,598	108,640	354,267	876,839
NET ASSETS:				
Beginning of period	<u>6,255,734</u>	<u>5,818,425</u>	<u>5,927,065</u>	<u>5,050,226</u>
End of period	<u>\$ 6,281,332</u>	<u>5,927,065</u>	<u>6,281,332</u>	<u>5,927,065</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)

	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	3,429,997	3,337,047	3,071,658	3,524,372
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	2,883,046	2,784,336	2,571,078	1,828,261
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)	329,888	181,447	(4,253)	106,558
Change in net assets	876,839	734,158	496,327	1,802,669
NET ASSETS:				
Beginning of period	5,050,226	4,316,068	3,819,741	2,017,072
End of period	\$ 5,927,065	5,050,226	4,316,068	3,819,741

Note(s):

(1) 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)

	December	Twelve Months Ended December	Years Ended	
	2018 (1)	2018 (1)	2017	2016
Revenue:				
Contributions	\$ 329,193	3,269,885	3,084,336	3,140,932
Recognized portion of UPS lump sum	0	27,517	73,512	85,812
Total revenue	<u>329,193</u>	<u>3,297,402</u>	<u>3,157,848</u>	<u>3,226,744</u>
Benefits and expenses:				
Benefits	234,274	2,869,164	2,597,092	2,517,186
TeamCare administrative fees	6,355	78,205	73,544	74,197
General and administrative expenses	6,871	79,318	73,556	69,891
Total benefits and expenses	<u>247,500</u>	<u>3,026,687</u>	<u>2,744,192</u>	<u>2,661,274</u>
Operating gain(loss)	81,693	270,715	413,656	565,470
Retiree Plan Funding	0	0	0	(173,000)
Net investment income(loss)	<u>(62,998)</u>	<u>(33,014)</u>	<u>302,702</u>	<u>170,913</u>
Change in net assets	18,695	237,701	716,358	563,383
NET ASSETS:				
Beginning of period	<u>5,626,560</u>	<u>5,407,554</u>	<u>4,691,196</u>	<u>4,127,813</u>
End of period	<u>\$ 5,645,255</u>	<u>5,645,255</u>	<u>5,407,554</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)

	December	Twelve Months Ended December	Years Ended	
	2018 (1)	2018 (1)	2017	2016
Contributions	\$ 28,390	290,115	272,149	110,303
Benefits and expenses:				
Benefits	13,676	160,916	131,437	116,431
TeamCare administrative fees	355	4,255	3,708	3,415
General and administrative expenses	384	4,316	3,709	3,216
Total benefits and expenses	<u>14,415</u>	<u>169,487</u>	<u>138,854</u>	<u>123,062</u>
Operating gain(loss)	13,975	120,628	133,295	(12,759)
Retiree Plan Funding Transfer	0	0	0	173,000
Net investment income(loss)	<u>(7,072)</u>	<u>(4,062)</u>	<u>27,186</u>	<u>10,534</u>
Change in net assets	6,903	116,566	160,481	170,775
NET ASSETS:				
Beginning of period	<u>629,174</u>	<u>519,511</u>	<u>359,030</u>	<u>188,255</u>
End of period	<u>\$ 636,077</u>	<u>636,077</u>	<u>519,511</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)

	December		Twelve Months Ended December	
	2018	(1)	2017	2017
Operations:				
Contributions	\$ 273,937		267,990	3,338,981
Benefits paid, net (2)	(229,658)		(195,354)	(2,637,759)
	<u>44,279</u>		<u>72,636</u>	<u>505,416</u>
Payroll	(3,869)		(4,178)	(36,731)
Employee benefits	(1,668)		(1,536)	(18,591)
Fees, services and software (primarily TeamCare)	(7,687)		(6,821)	(86,323)
Rent, including equipment	(277)		(256)	(3,111)
Office	(606)		(781)	(8,350)
Other	(4,297)		(2,429)	(11,715)
	<u>(18,404)</u>		<u>(16,001)</u>	<u>(164,821)</u>
Net from operations	25,875		56,635	313,919
Investments, net	<u>(25,892)</u>		<u>(56,949)</u>	<u>(314,173)</u>
Change in cash	(17)		(314)	48
Cash:				
Beginning of period	<u>291</u>		<u>842</u>	<u>528</u>
End of period	<u>\$ 274</u>		<u>528</u>	<u>528</u>
Note(s):				
(1) Does not include final year end adjustments.				
(2) Includes change in overdraft of:	\$ (1,890)		721	1,347
				966

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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
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

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Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 2015 Through November 2018

