

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
JULY 31, 2019

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

**PENSION FUND
FINANCIAL REPORT**
July 31, 2019 and the Seven Months Then Ended
Dollars in Thousands

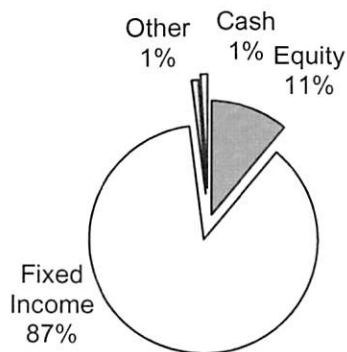
1. Net assets were \$12,878,851 at July 31, 2019, compared to \$13,168,044 at December 31, 2018, a decrease of \$289,193 compared to a decrease of \$681,792 for the same period last year.

The \$392,599 difference is due to \$839,676 more net investment income offset by \$447,077 more net operating loss.

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

	Actives	Retirees
As of:		
June 2019	51,939	199,349
December 2018	52,736	200,576
Six-months average:		
June 2019	51,981	199,868
June 2018	54,254	201,277
% decrease	(4.19)%	(0.70)%

3. For the seven months ended July 2019, the Fund's net operating loss was \$1,274,095 compared to a loss of \$827,018 for the same period in 2018, or a \$447,077 unfavorable change:
- (\$441,961) less contributions, primarily due to a decrease in withdrawal liability income (The Kroger Co.),
 - (\$4,782) more benefits and
 - (\$334) more general and administrative expenses.
4. During the seven months ended July 2019 and 2018, the Fund withdrew \$1,259,640 and \$801,485 respectively, from investment assets to fund the cash operating deficits.
5. Investment asset allocation as of July 31, 2019:



Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Position
July 31, 2019
(Dollar amounts in thousands)

	July 31, 2019	December 31, 2018	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 236,596	273,974	(37,378)	(0.3)
Fixed income	10,781,086	9,243,651	1,537,435	11.7
Equity	1,480,950	3,260,515	(1,779,565)	(13.5)
Other	116,247	136,004	(19,757)	(0.2)
Total investments	<u>12,614,879</u>	<u>12,914,144</u>	<u>(299,265)</u>	<u>(2.3)</u>
Investment related assets	2,691,500	2,878,617	(187,117)	(1.4)
Employer contributions receivable, net	67,995	70,802	(2,807)	-
Other assets	<u>6,430</u>	<u>5,999</u>	<u>431</u>	<u>-</u>
Total assets	<u>15,380,804</u>	<u>15,869,562</u>	<u>(488,758)</u>	<u>(3.7)</u>
Investment related liabilities	2,411,091	2,627,683	216,592	1.6
Other liabilities	<u>90,862</u>	<u>73,835</u>	<u>(17,027)</u>	<u>(0.1)</u>
Total liabilities	<u>2,501,953</u>	<u>2,701,518</u>	<u>199,565</u>	<u>1.5</u>
NET ASSETS	\$ <u>12,878,851</u>	<u>13,168,044</u>	<u>(289,193)</u>	<u>(2.2)</u>

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Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Operations
July 31, 2019
(Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2019	2018	Dollars	Percentage
<u>INCOME & EXPENSES</u>				
Contributions (includes W/L)	\$ 405,339	847,300	(441,961) (1)	2.7 (2)
Benefits	1,653,436	1,648,654	(4,782)	(0.3)
General and administrative expenses	<u>25,998</u>	<u>25,664</u>	<u>(334)</u>	(1.3)
Operating gain(loss)	(1,274,095)	(827,018)	(447,077)	N/A
Net investment income(loss)	<u>984,902</u>	<u>145,226</u>	<u>839,676</u>	N/A
Change in net assets	<u>\$ (289,193)</u>	<u>(681,792)</u>	<u>392,599</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions (2)	407.9 %	430.8 %		
General and administrative expenses to:				
Contributions (2)	6.4 %	6.7 %		
Benefits	1.6 %	1.6 %		
Six-month average FTEs	51,981	54,254		
Contributions per average FTE (2)	\$ 7,798	7,054		
Benefits per average FTE	\$ 31,808	30,388		
Pensioners and beneficiaries - current month	199,086	200,841		
Current month average benefit per pensioner and beneficiary	\$ 1,180	1,168		

Note(s):

(1) Decrease 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
 July 31, 2019
 (Dollar amounts in thousands)

	Actual through July 2019	August 2019	Projection Remainder of 2019	Year Ending December 2019
Contributions (includes W/L)	\$ 405,339	68,100	220,761	694,200
Benefits	1,653,436	236,300	946,464	2,836,200
General and administrative expenses	<u>25,998</u>	<u>3,800</u>	<u>15,002</u>	<u>44,800</u>
Operating gain(loss)	\$ <u><u>(1,274,095)</u></u>	<u><u>(172,000)</u></u>	<u><u>(740,705)</u></u>	<u><u>(2,186,800)</u></u>

Assumptions Used in 2019 Projections

Contributions - No change in plan mix and \$110.5 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2018 expenses for remaining months.

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

	July 31, 2019	December 31,	
		2018	2017
ASSETS			
Investments:			
Cash equivalents	\$ 236,596	273,974	334,973
Fixed income	10,781,086	9,243,651	7,733,261
Equity	1,480,950	3,260,515	6,559,959
Other	116,247	136,004	183,205
Total investments	12,614,879	12,914,144	14,811,398
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	67,995	70,802	82,126
Interest and dividends	73,672	66,234	58,691
Other, including investment related	366,496	431,326	427,479
Total receivables	508,163	568,362	568,296
Cash	2,288	1,954	1,715
Assets held in securities lending program	2,251,518	2,381,248	3,292,721
Other, primarily fixed assets - net	3,956	3,854	5,492
Total assets	15,380,804	15,869,562	18,679,622
LIABILITIES			
Liability to return collateral held under securities lending agreements	2,251,518	2,381,248	3,292,721
Investment related	153,362	241,709	291,542
Accounts payable and accrued expenses (2)	87,669	73,614	79,062
Deferred withdrawal liability receipts	9,404	4,947	4,645
Total liabilities	2,501,953	2,701,518	3,667,970
NET ASSETS	\$ 12,878,851	13,168,044	15,011,652

Note(s):

(1) Allowance for uncollectible contributions:	\$ 59,177	58,637	58,795
Reserve for YRC included in above allowance:	\$ 36,669	36,669	37,795
(2) Includes a liability for 401(h) plan assets:	\$ 64,382	59,757	60,083

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

	July		Seven Months Ended July	
	2019	2018	2019	2018
Revenue:				
Contributions	\$ 46,633	46,228	332,103	333,836
Withdrawal liability	11,871	3,061	73,236	513,464 (1)
Total revenue	<u>58,504</u>	<u>49,289</u>	<u>405,339</u>	<u>847,300</u>
Benefits and expenses:				
Benefits to participants	236,216	235,736	1,653,436	1,648,654
General and administrative expenses	3,634	3,834	25,998	25,664
Total benefits and expenses	<u>239,850</u>	<u>239,570</u>	<u>1,679,434</u>	<u>1,674,318</u>
Operating gain(loss)	(181,346)	(190,281)	(1,274,095)	(827,018)
Investment income(loss):				
Interest, dividends and other	25,634	24,696	178,992	181,563
Realized and unrealized gain(loss) on investments, net	(18,530)	112,902	814,296	(26,166)
Investment expenses	(1,130)	(1,469)	(8,386)	(10,171)
Net investment income(loss)	<u>5,974</u>	<u>136,129</u>	<u>984,902</u>	<u>145,226</u>
Change in net assets	(175,372)	(54,152)	(289,193)	(681,792)
NET ASSETS:				
Beginning of period	<u>13,054,223</u>	<u>14,384,012</u>	<u>13,168,044</u>	<u>15,011,652</u>
End of period	<u>\$ 12,878,851</u>	<u>14,329,860</u>	<u>12,878,851</u>	<u>14,329,860</u>

Note(s):

(1) Includes \$416.9 million from The Kroger Co. and \$47.7 million from Southstar LLC.

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5a

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

	Years Ended			
	2018	2017	2016	2015
Revenue:				
Contributions	\$ 586,194	621,562	612,393	586,686
Withdrawal liability	556,449 (1)	187,985	162,981	687,827 (2)(3)
Total revenue	<u>1,142,643</u>	<u>809,547</u>	<u>775,374</u>	<u>1,274,513</u>
Benefits and expenses:				
Benefits to participants	2,830,161	2,813,547	2,809,605	2,814,338
General and administrative expenses	44,236	46,006	47,599	52,562
Total benefits and expenses	<u>2,874,397</u>	<u>2,859,553</u>	<u>2,857,204</u>	<u>2,866,900</u>
Operating gain(loss)	(1,731,754)	(2,050,006)	(2,081,830)	(1,592,387)
Investment income(loss):				
Interest, dividends and other	312,387	294,896	336,410	368,132
Realized and unrealized gain(loss) on investments, net	(407,175)	1,525,729	927,577	(469,660)
Investment expenses	(17,066)	(26,500)	(40,832)	(42,983)
Net investment income(loss)	<u>(111,854)</u>	<u>1,794,125</u>	<u>1,223,155</u>	<u>(144,511)</u>
Change in net assets	(1,843,608)	(255,881)	(858,675)	(1,736,898)
NET ASSETS:				
Beginning of period	15,011,652	15,267,533	16,126,208	17,863,106
End of period	<u>\$ 13,168,044</u>	<u>15,011,652</u>	<u>15,267,533</u>	<u>16,126,208</u>

Note(s):

(1) Includes \$416.9 million from The Kroger Co. and \$47.7 million from Southstar LLC.

(2) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

(3) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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5b

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

	July		Seven Months Ended July	
	2019	2018	2019	2018
Operations:				
Contributions	\$ 51,463	56,992	334,677	341,514
Benefits paid, net (1)(2)	(236,118)	(32,135)	(1,652,827)	(1,648,292)
	<u>(184,655)</u>	<u>24,857</u>	<u>(1,318,150)</u>	<u>(1,306,778)</u>
Payroll	(1,043)	(1,091)	(8,795)	(8,542)
Employee benefits	(768)	(652)	(4,392)	(4,180)
Fees, services and software	(273)	(351)	(2,707)	(2,668)
Rent, including equipment	(119)	(107)	(746)	(720)
Office	(222)	(423)	(2,224)	(2,653)
Withdrawal liability receipts	12,585	2,977	77,398	523,326 (3)
Other	1,138	3,424	339	(711)
	<u>11,298</u>	<u>3,777</u>	<u>58,873</u>	<u>503,852</u>
Net from operations	(173,357)	28,634	(1,259,277)	(802,926)
Investments:				
Net sales(purchases)	145,898	(51,613)	1,094,663	645,421
Interest and dividends	29,600	23,827	171,848	167,109
Management fees	(80)	(927)	(6,900)	(11,083)
Investments, net	<u>175,418</u>	<u>(28,713)</u>	<u>1,259,611</u>	<u>801,447</u>
Change in cash	2,061	(79)	334	(1,479)
Cash:				
Beginning of period	<u>227</u>	<u>315</u>	<u>1,954</u>	<u>1,715</u>
End of period	<u>\$ 2,288</u>	<u>236</u>	<u>2,288</u>	<u>236</u>

Note(s):

(1) Includes change in overdraft:	\$ 97	(441)	608	362
(2) Includes timing for EFT funding:	\$ 0	204,043	0	0
(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			
	2018	2017	2016	2015
Operations:				
Contributions	\$ 588,551	623,525	609,598	597,999
Benefits paid, net (1)	(2,830,037)	(2,813,694)	(2,809,397)	(2,814,127)
	<u>(2,241,486)</u>	<u>(2,190,169)</u>	<u>(2,199,799)</u>	<u>(2,216,128)</u>
Payroll	(15,297)	(16,777)	(16,401)	(17,741)
Employee benefits	(7,095)	(7,696)	(7,623)	(7,816)
Fees, services and software	(4,218)	(4,196)	(6,427)	(7,687)
Rent, including equipment	(1,237)	(1,408)	(1,380)	(1,730)
Office (2)	(14,628)	(14,063)	(14,405)	(15,380)
Withdrawal liability receipts	565,749 (3)	179,764	161,234	548,619 (4)
Other	(2,032)	(2,669)	(548)	(980)
	<u>521,242</u>	<u>132,955</u>	<u>114,450</u>	<u>497,285</u>
Net from operations	(1,720,244)	(2,057,214)	(2,085,349)	(1,718,843)
Net sales(purchases)	1,435,950	1,796,324	1,786,994	1,398,513
Interest and dividends	304,571	290,993	339,149	364,575
Management fees	(20,038)	(28,933)	(41,767)	(44,022)
Investments, net	<u>1,720,483</u>	<u>2,058,384</u>	<u>2,084,376</u>	<u>1,719,066</u>
Change in cash	239	1,170	(973)	223
Cash:				
Beginning of period	<u>1,715</u>	<u>545</u>	<u>1,518</u>	<u>1,295</u>
End of period	<u>\$ 1,954</u>	<u>1,715</u>	<u>545</u>	<u>1,518</u>

Note(s):

- | | | | | |
|--|-------------|----------|----------|----------|
| (1) Includes change in overdraft: | \$ 1,122 | (146) | 207 | 210 |
| (2) Includes PBGC payment: | \$ (10,835) | (10,778) | (10,555) | (10,335) |
| (3) Includes \$416.9 million from The Kroger Co. and \$47.7 million from Southstar LLC. | | | | |
| (4) 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
June 2013 Through June 2019

