

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
JULY 31, 2019

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JULY 31, 2019

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*Includes Active Plan and Retiree Plan

**HEALTH & WELFARE FUND
FINANCIAL REPORT
July 31, 2019 and the Seven Months Then Ended
(Dollars in Thousands)**

1. Net assets were \$6,986,888 at July 31, 2019, compared to \$6,323,689 at December 31, 2018, an increase of \$663,199 compared to an increase of \$213,562 for the same period last year.

The \$449,637 difference is due to \$364,239 more net investment income combined with \$85,398 more net operating income.

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

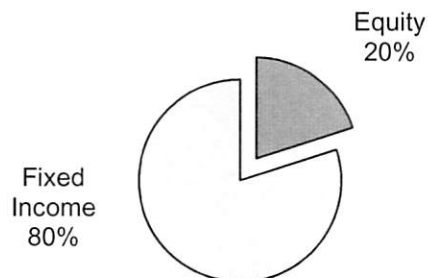
	Actives	Retirees
As of:		
June 2019	209,710	8,413
December 2018	197,059	8,347
Six-months average:		
June 2019	201,965	8,408
June 2018	191,932	7,759
% increase	5.23%	8.36%

3. For the seven months ended July 2019, the Fund's net operating gain was \$238,438 compared to a gain of \$153,040 for the same period in 2018, or an \$85,398 favorable change:

- \$178,635 more contributions due to an increase in FTEs combined with increases in rates,
- (\$86,423) more benefits,
- (\$2,468) more TeamCare administrative fees and
- (\$4,346) more general and administrative expenses.

4. During the seven months ended July 2019 and 2018, the Fund transferred \$340,923 and \$200,857, respectively, to investments as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of July 31, 2019:



Central States, Southeast and Southwest Areas Health and Welfare 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
Total investments	\$ 7,152,091	6,368,893	783,198	12.4
Investment related assets	1,188,165	1,131,750	56,415	0.9
Employer contributions receivable, net	299,843	389,631	(89,788) (1)	(1.4)
Other assets	<u>73,682</u>	<u>90,840</u>	<u>(17,158)</u>	<u>(0.3)</u>
Total assets	<u>8,713,781</u>	<u>7,981,114</u>	<u>732,667</u>	<u>11.6</u>
Investment related liabilities	1,185,453	1,111,498	(73,955)	(1.2)
Estimated benefits	452,724	513,654	60,930	1.0
Other liabilities	<u>88,716</u>	<u>32,273</u>	<u>(56,443)</u>	<u>(0.9)</u>
Total liabilities	<u>1,726,893</u>	<u>1,657,425</u>	<u>(69,468)</u>	<u>(1.1)</u>
NET ASSETS	\$ <u><u>6,986,888</u></u>	<u><u>6,323,689</u></u>	<u><u>663,199</u></u>	<u><u>10.5</u></u>

Note(s):

(1) Primarily a four week billing period for July 2019 compared to a five week billing period for December 2018.

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Central States, Southeast and Southwest Areas Health and Welfare 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	\$ 2,202,654	2,024,019	178,635 (1)	8.8
Benefits	1,861,427	1,775,004	(86,423)	(4.9)
TeamCare administrative fees	50,419	47,951	(2,468)	(5.1)
General and administrative expenses	<u>52,370</u>	<u>48,024</u>	<u>(4,346)</u>	(9.0)
Operating gain(loss)	238,438	153,040	85,398	N/A
Net investment income(loss)	<u>424,761</u>	<u>60,522</u>	<u>364,239</u>	N/A
Change in net assets	<u>\$ 663,199</u>	<u>213,562</u>	<u>449,637</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	84.5 %	87.7 %		
General and administrative expenses to:				
Contributions	2.4 %	2.4 %		
Benefits	2.8 %	2.7 %		
Six-month average FTEs	201,965	191,932		
Contributions per average FTE	\$ 10,906	10,546		
Benefits per average FTE	\$ 9,217	9,248		

Note(s):

(1) Increase in FTEs combined with increases in rates.

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

	Actual through July 2019	Projection		Year Ending December 2019
		August 2019	Remainder of 2019	
Contributions	\$ 2,202,654	399,500	1,357,946	3,960,100
Benefits	1,861,427	340,800	1,168,573	3,370,800
TeamCare administrative fees	50,419	7,000	27,981	85,400
General and administrative expenses	<u>52,370</u>	<u>7,200</u>	<u>28,830</u>	<u>88,400</u>
Operating gain(loss)	238,438	44,500	132,562	415,500
Net investment income(loss)	<u>424,761</u>	<u>23,100</u>	<u>93,339</u>	<u>541,200</u>
Change in net assets	\$ <u>663,199</u>	<u>67,600</u>	<u>225,901</u>	<u>956,700</u>

Assumptions used in 2019 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 6% per FTE.

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

Investment income - Actual return earned to date plus remaining months 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)

	July 31, 2019	December 31,	
		2018	2017
ASSETS			
Investments:			
Cash equivalents	\$ 994,298	885,268	1,123,427
Fixed income	4,763,893	4,319,670	3,869,526
U.S. equity	169,003	143,966	146,645
International equity	328,091	266,278	308,951
Commingled equity index fund	896,806	753,711	802,185
Total investments	7,152,091	6,368,893	6,250,734
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	299,843	389,631	327,935
Other, including investment related	82,492	132,731	64,883
Total receivables	382,335	522,362	392,818
Cash	199	274	528
Assets held in securities lending program	1,110,931	1,046,414	1,135,814
Other, primarily fixed assets - net	68,225	43,171	17,689
Total assets	8,713,781	7,981,114	7,797,583
LIABILITIES			
Estimated benefits (2)(3)	452,724	513,654	510,141
Liability to return collateral held under securities lending agreements	1,110,931	1,046,414	1,135,814
Checks drawn against future deposits	15,568	13,945	12,596
Investment related	70,088	62,102	164,705
Accounts payable and accrued expenses (4)	77,582	21,310	47,262
Total liabilities	1,726,893	1,657,425	1,870,518
NET ASSETS	\$ 6,986,888	6,323,689	5,927,065

Note(s):

(1) Allowance for uncollectible contributions:	\$ 3,827	3,904	3,167
(2) Includes estimated claims liability adjustments:	\$ 0	3,513	88,164
(3) Includes claims accrued in December and paid the following January:	\$ 0	60,930	57,249
(4) Includes deferred UPS revenue:	\$ 0	0	27,517

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

	July 31, 2019	December 31, 2018	2017
ASSETS			
Investments:			
Cash equivalents	\$ 994,298	885,268	1,123,427
Fixed income	4,763,893	4,319,670	3,869,526
U.S. equity	169,003	143,966	146,645
International equity	328,091	266,278	308,951
Commingled equity index fund	896,806	753,711	802,185
Total investments	7,152,091	6,368,893	6,250,734
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	299,843	389,631	327,935
Other, including investment related	82,492	132,731	64,883
Total receivables	382,335	522,362	392,818
Cash	199	274	528
Assets held in securities lending program	1,110,931	1,046,414	1,135,814
Other, primarily fixed assets - net	68,225	43,171	17,689
Total assets	8,713,781	7,981,114	7,797,583
LIABILITIES			
Estimated benefits (2)(3)	438,495	499,425	495,121
Interest in assets of Retiree Plan	774,946	658,650	534,531
Liability to return collateral held under securities lending agreements	1,110,931	1,046,414	1,135,814
Checks drawn against future deposits	15,568	13,945	12,596
Investment related	70,088	62,102	164,705
Accounts payable and accrued expenses (4)	77,582	21,310	47,262
Total liabilities	2,487,610	2,301,846	2,390,029
NET ASSETS	\$ 6,226,171	5,679,268	5,407,554

Note(s):

(1) Allowance for uncollectible contributions:	\$ 3,827	3,904	3,167
(2) Includes estimated claims liability adjustments:	\$ 0	4,304	83,803
(3) Includes claims accrued in December and paid the following January:	\$ 0	60,930	57,249
(4) Includes deferred UPS revenue:	\$ 0	0	27,517

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

	July 31, 2019	December 31,	
		2018	2017
ASSETS			
Interest in assets of Active Plan	\$ 774,946	658,650	534,531
Current benefit obligations			
Claims incurred but not reported	14,229	14,229	15,020
NET ASSETS	<u>\$ 760,717</u>	<u>644,421</u>	<u>519,511</u>

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

	July		Seven Months Ended July	
	2019	2018	2019	2018
Revenue:				
Contributions	\$ 304,215	273,152	2,202,654	1,996,502
Recognized portion of UPS lump sum	0	3,931	0	27,517
Total revenue	<u>304,215</u>	<u>277,083</u>	<u>2,202,654</u>	<u>2,024,019</u>
Benefits and expenses:				
Benefits	288,762	263,609	1,861,427	1,775,004
TeamCare administrative fees	7,257	6,740	50,419	47,951
General and administrative expenses	8,285	6,873	52,370	48,024
Total benefits and expenses	<u>304,304</u>	<u>277,222</u>	<u>1,964,216</u>	<u>1,870,979</u>
Operating gain(loss)	(89)	(139)	238,438	153,040
Investment income(loss):				
Interest and dividends	14,852	12,840	109,896	88,901
Realized and unrealized gain(loss) on investments, net	2,535	34,959	320,470	(23,022)
Investment expenses	(831)	(765)	(5,605)	(5,357)
Net investment income(loss)	<u>16,556</u>	<u>47,034</u>	<u>424,761</u>	<u>60,522</u>
Change in net assets	16,467	46,895	663,199	213,562
NET ASSETS:				
Beginning of period	<u>6,970,421</u>	<u>6,093,732</u>	<u>6,323,689</u>	<u>5,927,065</u>
End of period	<u>\$ 6,986,888</u>	<u>6,140,627</u>	<u>6,986,888</u>	<u>6,140,627</u>

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

	Years Ended			
	2018	2017	2016	2015
Revenue:				
Contributions	\$ 3,560,459	3,356,485	3,251,235	2,973,546
Recognized portion of UPS lump sum	27,517	73,512	85,812	98,112
Total revenue	<u>3,587,976</u>	<u>3,429,997</u>	<u>3,337,047</u>	<u>3,071,658</u>
Benefits and expenses:				
Benefits	2,987,239	2,728,529	2,633,617	2,430,448
TeamCare administrative fees	82,380	77,252	77,612	73,573
General and administrative expenses	84,692	77,265	73,107	67,057
Total benefits and expenses	<u>3,154,311</u>	<u>2,883,046</u>	<u>2,784,336</u>	<u>2,571,078</u>
Operating gain(loss)	433,665	546,951	552,711	500,580
Investment income(loss):				
Interest and dividends	160,214	118,616	99,689	65,839
Realized and unrealized gain(loss) on investments, net	(188,192)	219,873	89,197	(65,274)
Investment expenses	(9,063)	(8,601)	(7,439)	(4,818)
Net investment income(loss)	<u>(37,041)</u>	<u>329,888</u>	<u>181,447</u>	<u>(4,253)</u>
Change in net assets	396,624	876,839	734,158	496,327
NET ASSETS:				
Beginning of period	<u>5,927,065</u>	<u>5,050,226</u>	<u>4,316,068</u>	<u>3,819,741</u>
End of period	<u>\$ 6,323,689</u>	<u>5,927,065</u>	<u>5,050,226</u>	<u>4,316,068</u>

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

	July	Seven Months Ended July	Years Ended	
	2019	2019	2018	2017
Revenue:				
Contributions	\$ 279,304	2,023,815	3,270,341	3,084,336
Recognized portion of UPS lump sum	0	0	27,517	73,512
Total revenue	<u>279,304</u>	<u>2,023,815</u>	<u>3,297,858</u>	<u>3,157,848</u>
Benefits and expenses:				
Benefits	273,355	1,759,885	2,834,059	2,597,092
TeamCare administrative fees	6,858	47,702	78,178	73,544
General and administrative expenses	7,829	49,547	80,373	73,556
Total benefits and expenses	<u>288,042</u>	<u>1,857,134</u>	<u>2,992,610</u>	<u>2,744,192</u>
 Operating gain(loss)	 (8,738)	 166,681	 305,248	 413,656
 Retiree Plan Funding	 0	 0	 0	 0
 Net investment income(loss)	 <u>14,764</u>	 <u>380,222</u>	 <u>(33,534)</u>	 <u>302,702</u>
 Change in net assets	 6,026	 546,903	 271,714	 716,358
 NET ASSETS:				
Beginning of period	<u>6,220,145</u>	<u>5,679,268</u>	<u>5,407,554</u>	<u>4,691,196</u>
End of period	<u>\$ 6,226,171</u>	<u>6,226,171</u>	<u>5,679,268</u>	<u>5,407,554</u>

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

	July	Seven Months Ended July	Years Ended	
	2019	2019	2018	2017
Contributions	\$ 24,911	178,839	290,118	272,149
Benefits and expenses:				
Benefits	15,407	101,542	153,180	131,437
TeamCare administrative fees	399	2,717	4,202	3,708
General and administrative expenses	456	2,823	4,319	3,709
Total benefits and expenses	<u>16,262</u>	<u>107,082</u>	<u>161,701</u>	<u>138,854</u>
Operating gain(loss)	8,649	71,757	128,417	133,295
Retiree Plan Funding Transfer	0	0	0	0
Net investment income(loss)	<u>1,792</u>	<u>44,539</u>	<u>(3,507)</u>	<u>27,186</u>
Change in net assets	10,441	116,296	124,910	160,481
NET ASSETS:				
Beginning of period	<u>750,276</u>	<u>644,421</u>	<u>519,511</u>	<u>359,030</u>
End of period	<u>\$ 760,717</u>	<u>760,717</u>	<u>644,421</u>	<u>519,511</u>

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

	July		Seven Months Ended July	
	2019	2018	2019	2018
Operations:				
Contributions (1)	\$ 380,599	333,463	2,291,650	2,062,668
Benefits paid, net (2)	(293,752)	(284,795)	(1,825,167)	(1,751,634)
	<u>86,847</u>	<u>48,668</u>	<u>466,483</u>	<u>311,034</u>
Payroll	(3,154)	(2,963)	(24,370)	(23,166)
Employee benefits	(2,344)	(1,966)	(12,688)	(12,111)
Fees, services and software (primarily TeamCare)	(8,744)	(7,579)	(55,657)	(50,983)
Rent, including equipment	(326)	(296)	(2,104)	(2,021)
Office	(1,923)	(1,479)	(6,748)	(5,726)
Other	(1,804)	(3,685)	(24,096)	(16,474)
	<u>(18,295)</u>	<u>(17,968)</u>	<u>(125,663)</u>	<u>(110,481)</u>
Net from operations	68,552	30,700	340,820	200,553
Investments, net	<u>(68,462)</u>	<u>(30,941)</u>	<u>(340,895)</u>	<u>(200,762)</u>
Change in cash	90	(241)	(75)	(209)
Cash:				
Beginning of period	<u>109</u>	<u>560</u>	<u>274</u>	<u>528</u>
End of period	<u>\$ 199</u>	<u>319</u>	<u>199</u>	<u>319</u>
Note(s):				
(1) Includes retro UPS contributions from final ratification of supplements:	\$ 0	0	79,715	0
(2) Includes change in overdraft of:	\$ 3,290	558	1,623	1,295

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

	Years Ended			
	2018	2017	2016	2015
Operations:				
Contributions	\$ 3,500,323	3,338,981	3,179,305	2,924,805
Benefits paid, net (1)	<u>(2,994,915)</u>	<u>(2,637,759)</u>	<u>(2,622,186)</u>	<u>(2,338,290)</u>
	<u>505,408</u>	<u>701,222</u>	<u>557,119</u>	<u>586,515</u>
Payroll	(41,026)	(36,731)	(35,247)	(31,516)
Employee benefits	(20,685)	(18,591)	(17,819)	(15,630)
Fees, services and software (primarily TeamCare)	(88,687)	(86,323)	(82,165)	(77,970)
Rent, including equipment	(3,490)	(3,111)	(3,022)	(2,962)
Office (2)	(9,314)	(8,350)	(8,079)	(19,335)
Other	<u>(28,287)</u>	<u>(11,715)</u>	<u>2,308</u>	<u>(1,697)</u>
	<u>(191,489)</u>	<u>(164,821)</u>	<u>(144,024)</u>	<u>(149,110)</u>
Net from operations	313,919	536,401	413,095	437,405
Investments, net	<u>(314,173)</u>	<u>(536,353)</u>	<u>(412,702)</u>	<u>(437,393)</u>
Change in cash	(254)	48	393	12
Cash:				
Beginning of period	<u>528</u>	<u>480</u>	<u>87</u>	<u>75</u>
End of period	<u>\$ 274</u>	<u>528</u>	<u>480</u>	<u>87</u>
Note(s):				
(1) Includes change in overdraft of:	\$ 1,349	966	220	2,487
(2) Includes transitional reinsurance fee:	\$ 0	0	0	11,735

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Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees

June 2016 Through June 2019

