

**CENTRAL STATES HEALTH AND WELFARE FUND**  
**FINANCIAL AND ANALYTICAL INFORMATION**  
**SEPTEMBER 30, 2019**

**CENTRAL STATES HEALTH AND WELFARE FUND**

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**\*Includes Active Plan and Retiree Plan**

**HEALTH & WELFARE FUND  
FINANCIAL REPORT  
September 30, 2019 and the Nine Months Then Ended  
(Dollars in Thousands)**

1. Net assets were \$7,180,795 at September 30, 2019, compared to \$6,323,689 at December 31, 2018, an increase of \$857,106 compared to an increase of \$376,424 for the same period last year.

The \$480,682 difference is due to \$379,417 more net investment income combined with \$101,265 more net operating income.

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

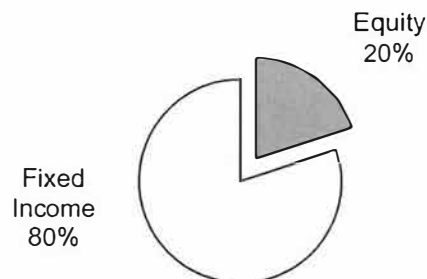
	Actives	Retirees
As of:		
August 2019	210,992	8,378
December 2018	197,050	8,346
Eight-months average:		
August 2019	203,996	8,416
August 2018	192,179	7,846
% increase	6.15%	7.26%

3. For the nine months ended September 2019, the Fund's net operating gain was \$369,149 compared to a gain of \$267,884 for the same period in 2018, or a \$101,265 favorable change:

- \$245,974 more contributions due to an increase in FTEs combined with increases in rates,
- (\$133,795) more benefits,
- (\$4,080) more TeamCare administrative fees and
- (\$6,834) more general and administrative expenses.

4. During the nine months ended September 2019 and 2018, the Fund transferred \$504,514 and \$236,391, respectively, to investments as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of September 30, 2019:



Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Financial Position  
 September 30, 2019  
 (Dollar amounts in thousands)

	September 30, 2019	December 31, 2018	Change in Net Assets	
			Dollars	Percentage
Total investments	\$ 7,351,235	6,368,893	982,342	15.5
Investment related assets	1,178,203	1,131,750	46,453	0.7
Employer contributions receivable, net	312,469	389,631	(77,162) (1)	(1.2)
Other assets	<u>68,427</u>	<u>90,840</u>	<u>(22,413)</u>	<u>(0.3)</u>
Total assets	<u>8,910,334</u>	<u>7,981,114</u>	<u>929,220</u>	<u>14.7</u>
Investment related liabilities	1,147,555	1,111,498	(36,057)	(0.6)
Estimated benefits	452,724	513,654	60,930	1.0
Other liabilities	<u>129,260</u>	<u>32,273</u>	<u>(96,987)</u>	<u>(1.5)</u>
Total liabilities	<u>1,729,539</u>	<u>1,657,425</u>	<u>(72,114)</u>	<u>(1.1)</u>
<b>NET ASSETS</b>	<b><u>\$ 7,180,795</u></b>	<b><u>6,323,689</u></b>	<b><u>857,106</u></b>	<b><u>13.6</u></b>

**Note(s):**

(1) Primarily a four week billing period for September 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  
 September 30, 2019  
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2019	2018	Dollars	Percentage
<b><u>INCOME &amp; EXPENSES</u></b>				
Contributions	\$ 2,905,063	2,659,089	245,974 (1)	9.3
Benefits	2,401,084	2,267,289	(133,795)	(5.9)
TeamCare administrative fees	66,000	61,920	(4,080)	(6.6)
General and administrative expenses	<u>68,830</u>	<u>61,996</u>	<u>(6,834)</u>	(11.0)
Operating gain(loss)	369,149	267,884	101,265	N/A
Net investment income(loss)	<u>487,957</u>	<u>108,540</u>	<u>379,417</u>	N/A
Change in net assets	<u>\$ 857,106</u>	<u>376,424</u>	<u>480,682</u>	N/A
<b><u>OPERATING STATISTICS</u></b>				
Benefits to contributions	82.7 %	85.3 %		
General and administrative expenses to:				
Contributions	2.4 %	2.3 %		
Benefits	2.9 %	2.7 %		
Eight-month average FTEs	203,996	192,179		
Contributions per average FTE	\$ 14,241	13,837		
Benefits per average FTE	\$ 11,770	11,798		

**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  
 September 30, 2019  
 (Dollar amounts in thousands)

	Actual through September 2019	Projection		Year Ending December 2019
		October 2019	Remainder of 2019	
Contributions	\$ 2,905,063	319,800	725,637	3,950,500
Benefits	2,401,084	307,800	637,916	3,346,800
TeamCare administrative fees	66,000	7,000	14,000	87,000
General and administrative expenses	<u>68,830</u>	<u>7,200</u>	<u>14,370</u>	<u>90,400</u>
Operating gain(loss)	369,149	(2,200)	59,351	426,300
Net investment income(loss)	<u>487,957</u>	<u>19,900</u>	<u>39,943</u>	<u>547,800</u>
Change in net assets	\$ <u>857,106</u>	<u>17,700</u>	<u>99,294</u>	<u>974,100</u>

**Assumptions used in 2019 Projections**

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 5% per FTE.

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

Investment income - Actual income (loss) earned to date plus remaining months annualized expected return of 3.3% 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)

	September 30, 2019	December 31,	
		2018	2017
<b>ASSETS</b>			
Investments:			
Cash equivalents	\$ 976,707	885,268	1,123,427
Fixed income	4,919,831	4,319,670	3,869,526
U.S. equity	168,878	143,966	146,645
International equity	327,685	266,278	308,951
Commingled equity index fund	958,134	753,711	802,185
Total investments	7,351,235	6,368,893	6,250,734
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	312,469	389,631	327,935
Other, including investment related	78,456	132,731	64,883
Total receivables	390,925	522,362	392,818
Cash	82	274	528
Assets held in securities lending program	1,100,814	1,046,414	1,135,814
Other, primarily fixed assets - net	67,278	43,171	17,689
Total assets	8,910,334	7,981,114	7,797,583
<b>LIABILITIES</b>			
Estimated benefits (2)(3)	452,724	513,654	510,141
Liability to return collateral held under securities lending agreements	1,100,814	1,046,414	1,135,814
Checks drawn against future deposits	16,487	13,945	12,596
Investment related	42,989	62,102	164,705
Accounts payable and accrued expenses (4)	116,525	21,310	47,262
Total liabilities	1,729,539	1,657,425	1,870,518
<b>NET ASSETS</b>	\$ 7,180,795	6,323,689	5,927,065
 <b>Note(s):</b>			
(1) Allowance for uncollectible contributions:	\$ 3,921	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)

	September 30, 2019	December 31, 2018	2017
<b>ASSETS</b>			
<b>Investments:</b>			
Cash equivalents	\$ 976,707	885,268	1,123,427
Fixed income	4,919,831	4,319,670	3,869,526
U.S. equity	168,878	143,966	146,645
International equity	327,685	266,278	308,951
Commingled equity index fund	958,134	753,711	802,185
<b>Total investments</b>	<b>7,351,235</b>	<b>6,368,893</b>	<b>6,250,734</b>
<b>Receivables:</b>			
Employer contributions, less allowance for uncollectible contributions (1)	312,469	389,631	327,935
Other, including investment related	78,456	132,731	64,883
<b>Total receivables</b>	<b>390,925</b>	<b>522,362</b>	<b>392,818</b>
Cash	82	274	528
Assets held in securities lending program	1,100,814	1,046,414	1,135,814
Other, primarily fixed assets - net	67,278	43,171	17,689
<b>Total assets</b>	<b>8,910,334</b>	<b>7,981,114</b>	<b>7,797,583</b>
<b>LIABILITIES</b>			
Estimated benefits (2)(3)	438,495	499,425	495,121
Interest in assets of Retiree Plan	807,693	658,650	534,531
Liability to return collateral held under securities lending agreements	1,100,814	1,046,414	1,135,814
Checks drawn against future deposits	16,487	13,945	12,596
Investment related	42,989	62,102	164,705
Accounts payable and accrued expenses (4)	116,525	21,310	47,262
<b>Total liabilities</b>	<b>2,523,003</b>	<b>2,301,846</b>	<b>2,390,029</b>
<b>NET ASSETS</b>	<b>\$ 6,387,331</b>	<b>5,679,268</b>	<b>5,407,554</b>
<b>Note(s):</b>			
(1) Allowance for uncollectible contributions:	\$ 3,921	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)

	September 30, 2019	December 31,	
		2018	2017
<b>ASSETS</b>			
Interest in assets of Active Plan	\$ 807,693	658,650	534,531
<b>Current benefit obligations</b>			
Claims incurred but not reported	14,229	14,229	15,020
<b>NET ASSETS</b>	\$ 793,464	644,421	519,511

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

	September		Nine Months Ended September	
	2019	2018	2019	2018
<b>Revenue:</b>				
Contributions	\$ 315,980	351,921	2,905,063	2,631,572
Recognized portion of UPS lump sum	0	0	0	27,517
Total revenue	<u>315,980</u>	<u>351,921</u>	<u>2,905,063</u>	<u>2,659,089</u>
<b>Benefits and expenses:</b>				
Benefits	283,188	235,093	2,401,084	2,267,289
TeamCare administrative fees	7,807	7,158	66,000	61,920
General and administrative expenses	7,985	6,892	68,830	61,996
Total benefits and expenses	<u>298,980</u>	<u>249,143</u>	<u>2,535,914</u>	<u>2,391,205</u>
Operating gain(loss)	17,000	102,778	369,149	267,884
<b>Investment income(loss):</b>				
Interest and dividends	16,383	13,794	142,916	117,433
Realized and unrealized gain(loss) on investments, net	3,461	(13,938)	352,309	(2,014)
Investment expenses	(820)	(756)	(7,268)	(6,879)
Net investment income(loss)	<u>19,024</u>	<u>(900)</u>	<u>487,957</u>	<u>108,540</u>
Change in net assets	36,024	101,878	857,106	376,424
<b>NET ASSETS:</b>				
Beginning of period	<u>7,144,771</u>	<u>6,201,611</u>	<u>6,323,689</u>	<u>5,927,065</u>
End of period	<u>\$ 7,180,795</u>	<u>6,303,489</u>	<u>7,180,795</u>	<u>6,303,489</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
<b>Revenue:</b>				
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>
<b>Benefits and expenses:</b>				
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
<b>Investment income(loss):</b>				
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
<b>NET ASSETS:</b>				
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)

	September	Nine Months Ended September	Years Ended	
	2019	2019	2018	2017
<b>Revenue:</b>				
Contributions	\$ 290,561	2,670,371	3,270,341	3,084,336
Recognized portion of UPS lump sum	0	0	27,517	73,512
Total revenue	<u>290,561</u>	<u>2,670,371</u>	<u>3,297,858</u>	<u>3,157,848</u>
<b>Benefits and expenses:</b>				
Benefits	269,595	2,271,275	2,834,059	2,597,092
TeamCare administrative fees	7,385	62,434	78,178	73,544
General and administrative expenses	7,554	65,110	80,373	73,556
Total benefits and expenses	<u>284,534</u>	<u>2,398,819</u>	<u>2,992,610</u>	<u>2,744,192</u>
Operating gain(loss)	6,027	271,552	305,248	413,656
Retiree Plan Funding	0	0	0	0
Net investment income(loss)	<u>16,934</u>	<u>436,511</u>	<u>(33,534)</u>	<u>302,702</u>
Change in net assets	22,961	708,063	271,714	716,358
<b>NET ASSETS:</b>				
Beginning of period	<u>6,364,370</u>	<u>5,679,268</u>	<u>5,407,554</u>	<u>4,691,196</u>
End of period	<u>\$ 6,387,331</u>	<u>6,387,331</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)

	September	Nine Months Ended September	Years Ended	
	2019	2019	2018	2017
Contributions	\$ 25,419	234,692	290,118	272,149
Benefits and expenses:				
Benefits	13,593	129,809	153,180	131,437
TeamCare administrative fees	422	3,566	4,202	3,708
General and administrative expenses	431	3,720	4,319	3,709
Total benefits and expenses	<u>14,446</u>	<u>137,095</u>	<u>161,701</u>	<u>138,854</u>
Operating gain(loss)	10,973	97,597	128,417	133,295
Retiree Plan Funding Transfer	0	0	0	0
Net investment income(loss)	<u>2,090</u>	<u>51,446</u>	<u>(3,507)</u>	<u>27,186</u>
Change in net assets	13,063	149,043	124,910	160,481
<b>NET ASSETS:</b>				
Beginning of period	<u>780,401</u>	<u>644,421</u>	<u>519,511</u>	<u>359,030</u>
End of period	<u>\$ 793,464</u>	<u>793,464</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)

	September		Nine Months Ended September	
	2019	2018	2019	2018
<b>Operations:</b>				
Contributions (1)	\$ 388,405	270,276	2,983,134	2,607,581
Benefits paid, net (2)	(226,942)	(222,086)	(2,324,740)	(2,227,187)
	<u>161,463</u>	<u>48,190</u>	<u>658,394</u>	<u>380,394</u>
Payroll	(3,323)	(2,920)	(31,815)	(29,752)
Employee benefits	(2,134)	(1,600)	(16,495)	(15,334)
Fees, services and software (primarily TeamCare)	(8,202)	(7,633)	(72,310)	(66,032)
Rent, including equipment	(255)	(337)	(2,646)	(2,616)
Office	(892)	(713)	(8,565)	(7,131)
Other	1,218	(1,539)	(22,277)	(23,649)
	<u>(13,588)</u>	<u>(14,742)</u>	<u>(154,108)</u>	<u>(144,514)</u>
Net from operations	147,875	33,448	504,286	235,880
Investments, net	<u>(147,866)</u>	<u>(33,790)</u>	<u>(504,478)</u>	<u>(236,286)</u>
Change in cash	9	(342)	(192)	(406)
<b>Cash:</b>				
Beginning of period	<u>73</u>	<u>464</u>	<u>274</u>	<u>528</u>
End of period	<u>\$ 82</u>	<u>122</u>	<u>82</u>	<u>122</u>
<b>Note(s):</b>				
(1) Includes retro UPS contributions from final ratification of supplements:	\$ 0	0	79,715	0
(2) Includes change in overdraft of:	\$ 2,509	(2,117)	2,542	1,102

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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
<b>Operations:</b>				
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
<b>Cash:</b>				
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>
<b>Note(s):</b>				
(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  
December 2016 Through August 2019

