

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

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**PENSION FUND  
FINANCIAL REPORT**  
September 30, 2019 and the Nine Months Then Ended  
Dollars in Thousands

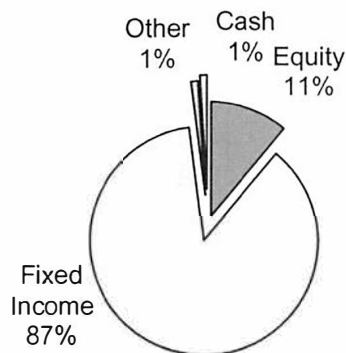
1. Net assets were \$12,708,251 at September 30, 2019, compared to \$13,168,044 at December 31, 2018, a decrease of \$459,793 compared to a decrease of \$930,696 for the same period last year.

The \$470,903 difference is due to \$881,281 more net investment income offset by \$410,378 more net operating loss.

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

	Actives	Retirees
As of:		
August 2019	49,965	198,792
December 2018	52,736	200,576
 Eight-months average:		
August 2019	51,423	199,661
August 2018	54,259	201,166
% decrease	(5.23)%	(0.75)%

3. For the nine months ended September 2019, the Fund's net operating loss was \$1,598,884 compared to a loss of \$1,188,506 for the same period in 2018, or a \$410,378 unfavorable change:
- (\$406,189) less contributions, primarily due to a decrease in withdrawal liability income (The Kroger Co.),
  - (\$3,691) more benefits and
  - (\$498) more general and administrative expenses.
4. During the nine months ended September 2019 and 2018, the Fund withdrew \$1,579,989 and \$1,172,186 respectively, from investment assets to fund the cash operating deficits.
5. Investment asset allocation as of September 30, 2019:



Central States, Southeast and Southwest Areas Pension 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
Investments:				
Cash equivalents	\$ 217,859	273,974	(56,115)	(0.4)
Fixed income	10,628,786	9,243,651	1,385,135	10.5
Equity	1,482,812	3,260,515	(1,777,703)	(13.5)
Other	118,357	136,004	(17,647)	(0.1)
Total investments	<u>12,447,814</u>	<u>12,914,144</u>	<u>(466,330)</u>	<u>(3.5)</u>
Investment related assets	2,751,554	2,878,617	(127,063)	(1.0)
Employer contributions receivable, net	63,826	70,802	(6,976)	(0.1)
Other assets	<u>5,197</u>	<u>5,999</u>	<u>(802)</u>	<u>-</u>
Total assets	<u>15,268,391</u>	<u>15,869,562</u>	<u>(601,171)</u>	<u>(4.6)</u>
Investment related liabilities	2,469,108	2,627,683	158,575	1.2
Other liabilities	<u>91,032</u>	<u>73,835</u>	<u>(17,197)</u>	<u>(0.1)</u>
Total liabilities	<u>2,560,140</u>	<u>2,701,518</u>	<u>141,378</u>	<u>1.1</u>
<b>NET ASSETS</b>	<b>\$ <u>12,708,251</u></b>	<b><u>13,168,044</u></b>	<b><u>(459,793)</u></b>	<b><u>(3.5)</u></b>

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Central States, Southeast and Southwest Areas Pension 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>INCOME &amp; EXPENSES</b>				
Contributions (includes W/L)	\$ 559,861	966,050	(406,189) (1)	6.0 (2)
Benefits	2,125,471	2,121,780	(3,691)	(0.2)
General and administrative expenses	33,274	32,776	(498)	(1.5)
Operating gain(loss)	(1,598,884)	(1,188,506)	(410,378)	N/A
Net investment income(loss)	1,139,091	257,810	881,281	N/A
Change in net assets	\$ (459,793)	(930,696)	470,903	N/A
<b>OPERATING STATISTICS</b>				
Benefits to contributions (2)	379.6 %	423.1 %		
General and administrative expenses to:				
Contributions (2)	5.9 %	6.5 %		
Benefits	1.6 %	1.5 %		
Eight-month average FTEs	51,423	54,259		
Contributions per average FTE (2)	\$ 10,887	9,242		
Benefits per average FTE	\$ 41,333	39,105		
Pensioners and beneficiaries - current month	198,848	200,690		
Current month average benefit per pensioner and beneficiary	\$ 1,182	1,170		

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

	Actual through September 2019	Projection		Year Ending December 2019
		October 2019	Remainder of 2019	
Contributions (includes W/L)	\$ 559,861	65,300	111,039	736,200
Benefits	2,125,471	236,300	472,929	2,834,700
General and administrative expenses	<u>33,274</u>	<u>3,800</u>	<u>7,526</u>	<u>44,600</u>
Operating gain(loss)	\$ <u><u>(1,598,884)</u></u>	<u><u>(174,800)</u></u>	<u><u>(369,416)</u></u>	<u><u>(2,143,100)</u></u>

**Assumptions Used in 2019 Projections**

Contributions - No change in plan mix and \$170.8 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)

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>ASSETS</b>			
Investments:			
Cash equivalents	\$ 217,859	273,974	334,973
Fixed income	10,628,786	9,243,651	7,733,261
Equity	1,482,812	3,260,515	6,559,959
Other	118,357	136,004	183,205
Total investments	<u>12,447,814</u>	<u>12,914,144</u>	<u>14,811,398</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	63,826	70,802	82,126
Interest and dividends	70,797	66,234	58,691
Other, including investment related	354,121	431,326	427,479
Total receivables	<u>488,744</u>	<u>568,362</u>	<u>568,296</u>
Cash	620	1,954	1,715
Assets held in securities lending program	2,326,822	2,381,248	3,292,721
Other, primarily fixed assets - net	4,391	3,854	5,492
Total assets	<u>15,268,391</u>	<u>15,869,562</u>	<u>18,679,622</u>
<b>LIABILITIES</b>			
Liability to return collateral held under securities lending agreements	2,326,822	2,381,248	3,292,721
Investment related	138,945	241,709	291,542
Accounts payable and accrued expenses (2)	83,442	73,614	79,062
Deferred withdrawal liability receipts	10,931	4,947	4,645
Total liabilities	<u>2,560,140</u>	<u>2,701,518</u>	<u>3,667,970</u>
<b>NET ASSETS</b>	<u>\$ 12,708,251</u>	<u>13,168,044</u>	<u>15,011,652</u>

Note(s):

(1) Allowance for uncollectible contributions:	\$ 59,175	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:	\$ 65,171	59,757	60,083

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

	September		Nine Months Ended September	
	2019	2018	2019	2018
<b>Revenue:</b>				
Contributions	\$ 39,164	58,218	422,104	436,249
Withdrawal liability	49,304 (1)	7,777	137,757 (1)	529,801 (2)
Total revenue	88,468	65,995	559,861	966,050
<b>Benefits and expenses:</b>				
Benefits to participants	235,786	236,173	2,125,471	2,121,780
General and administrative expenses	3,562	3,478	33,274	32,776
Total benefits and expenses	239,348	239,651	2,158,745	2,154,556
Operating gain(loss)	(150,880)	(173,656)	(1,598,884)	(1,188,506)
<b>Investment income(loss):</b>				
Interest, dividends and other	25,236	26,438	229,076	235,086
Realized and unrealized gain(loss) on investments, net	(35,589)	(40,642)	920,567	35,850
Investment expenses	(1,135)	(1,522)	(10,552)	(13,126)
Net investment income(loss)	(11,488)	(15,726)	1,139,091	257,810
Change in net assets	(162,368)	(189,382)	(459,793)	(930,696)
<b>NET ASSETS:</b>				
Beginning of period	12,870,619	14,270,338	13,168,044	15,011,652
End of period	\$ 12,708,251	14,080,956	12,708,251	14,080,956

**Note(s):**

(1) Includes \$45.6 million from Marsh Supermarkets Inc.

(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			
	2018	2017	2016	2015
<b>Revenue:</b>				
Contributions	\$ 586,194	621,562	612,393	586,686
Withdrawal liability	556,449 (1)	187,985	162,981	687,827 (2)(3)
<b>Total revenue</b>	<u>1,142,643</u>	<u>809,547</u>	<u>775,374</u>	<u>1,274,513</u>
<b>Benefits and expenses:</b>				
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
<b>Total benefits and expenses</b>	<u>2,874,397</u>	<u>2,859,553</u>	<u>2,857,204</u>	<u>2,866,900</u>
<b>Operating gain(loss)</b>	(1,731,754)	(2,050,006)	(2,081,830)	(1,592,387)
<b>Investment income(loss):</b>				
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)
<b>Net investment income(loss)</b>	<u>(111,854)</u>	<u>1,794,125</u>	<u>1,223,155</u>	<u>(144,511)</u>
<b>Change in net assets</b>	(1,843,608)	(255,881)	(858,675)	(1,736,898)
<b>NET ASSETS:</b>				
Beginning of period	<u>15,011,652</u>	<u>15,267,533</u>	<u>16,126,208</u>	<u>17,863,106</u>
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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Central States, Southeast and Southwest Areas Pension Fund  
Statement of Cash Receipts and Disbursements  
(In thousands)

	September		Nine Months Ended September	
	2019	2018	2019	2018
<b>Operations:</b>				
Contributions	\$ 48,589	43,513	426,577	430,995
Benefits paid, net (1)(2)	(29,759)	(32,331)	(2,124,709)	(2,121,237)
	<u>18,830</u>	<u>11,182</u>	<u>(1,698,132)</u>	<u>(1,690,242)</u>
Payroll	(1,131)	(1,082)	(11,342)	(10,978)
Employee benefits	(695)	(532)	(5,618)	(5,274)
Fees, services and software	(230)	(268)	(3,329)	(3,414)
Rent, including equipment	(94)	(114)	(951)	(929)
Office	(197)	(225)	(2,639)	(3,127)
Withdrawal liability receipts	50,181 (3)	8,186	143,394 (3)	538,896 (4)
Other	(943)	3,631	(2,683)	1,671
	<u>46,891</u>	<u>9,596</u>	<u>116,832</u>	<u>516,845</u>
Net from operations	65,721	20,778	(1,581,300)	(1,173,397)
<b>Investments:</b>				
Net sales(purchases)	(90,295)	(41,932)	1,367,043	965,850
Interest and dividends	28,793	22,560	224,859	219,323
Management fees	(3,898)	(1,373)	(11,936)	(12,946)
Investments, net	<u>(65,400)</u>	<u>(20,745)</u>	<u>1,579,966</u>	<u>1,172,227</u>
Change in cash	321	33	(1,334)	(1,170)
<b>Cash:</b>				
Beginning of period	<u>299</u>	<u>512</u>	<u>1,954</u>	<u>1,715</u>
End of period	<u>\$ 620</u>	<u>545</u>	<u>620</u>	<u>545</u>

**Note(s):**

(1) Includes change in overdraft:	\$ 252	(238)	761	543
(2) Includes timing for EFT funding:	\$ 205,775	204,079	0	0
(3) Includes \$45.6 million from Marsh Supermarkets Inc.				
(4) 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
<b>Operations:</b>				
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	<u>(1,720,244)</u>	<u>(2,057,214)</u>	<u>(2,085,349)</u>	<u>(1,718,843)</u>
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
<b>Cash:</b>				
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 Equivalent vs. Retirees  
December 2013 Through August 2019

