

CENTRAL STATES PENSION FUND  
FINANCIAL AND ANALYTICAL INFORMATION  
JUNE 30, 2020

CENTRAL STATES PENSION FUND  
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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  
June 30, 2020 and the Six Months Then Ended  
Dollars in Thousands**

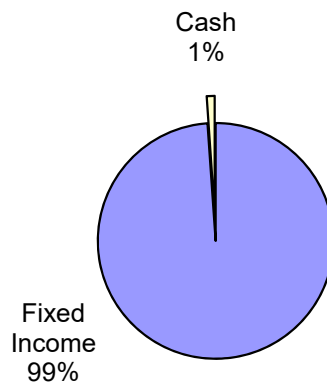
1. Net assets were \$11,414,911 at June 30, 2020, compared to \$12,309,907 at December 31, 2019, a decrease of \$894,996 compared to a decrease of \$113,821 for the same period last year.

The \$781,175 difference is due to \$730,341 less net investment income combined with \$50,834 more net operating loss.

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

|                      | Actives  | Retirees |
|----------------------|----------|----------|
| As of:               |          |          |
| May 2020             | 40,951   | 197,795  |
| December 2019        | 48,316   | 198,513  |
| Five-months average: |          |          |
| May 2020             | 45,281   | 198,154  |
| May 2019             | 52,029   | 199,954  |
| % decrease           | (12.97)% | (0.90)%  |

3. For the six months ended June 2020, the Fund's net operating loss was \$1,143,583 compared to a loss of \$1,092,749 for the same period in 2019, or a \$50,834 unfavorable change:
- (\$48,338) less contributions primarily due to a decrease in FTEs and withdrawal liability income, combined with an increase in reserves for YRC,
  - (\$4,554) more benefits and
  - \$2,058 less general and administrative expenses.
4. During the six months ended June 2020 and 2019, the Fund withdrew \$1,126,980 and \$1,084,171 respectively, from investment assets to fund the cash operating deficits.
5. Investment asset allocation as of June 30, 2020:



Central States, Southeast and Southwest Areas Pension Fund  
Executive Summary of Financial Position  
June 30, 2020  
(Dollar amounts in thousands)

|   | June 30,<br>2020     | December 31,<br>2019 | Change in Net Assets |              |
|---|----------------------|----------------------|----------------------|--------------|
|   |                      |                      | Dollars              | Percentage   |
| Investments:                              |                      |                      |                      |              |
| Cash equivalents                          | \$ 157,193           | 189,913              | (32,720)             | (0.3)        |
| Fixed income                              | 11,043,599           | 10,345,350           | 698,249              | 5.7          |
| Equity                                    | 5,048                | 1,414,435            | (1,409,387)          | (11.4)       |
| Other                                     | 47                   | 97,535               | (97,488)             | (0.8)        |
| Total investments                         | <u>11,205,887</u>    | <u>12,047,233</u>    | <u>(841,346)</u>     | <u>(6.8)</u> |
| Investment related assets                 | 3,104,801            | 2,440,536            | 664,265              | 5.4          |
| Employer contributions<br>receivable, net | 65,545               | 63,404               | 2,141                | -            |
| Other assets                              | <u>5,267</u>         | <u>4,976</u>         | <u>291</u>           | <u>-</u>     |
| Total assets                              | <u>14,381,500</u>    | <u>14,556,149</u>    | <u>(174,649)</u>     | <u>(1.4)</u> |
| Investment related liabilities            | 2,862,675            | 2,162,154            | (700,521)            | (5.7)        |
| Other liabilities                         | <u>103,914</u>       | <u>84,088</u>        | <u>(19,826)</u>      | <u>(0.2)</u> |
| Total liabilities                         | <u>2,966,589</u>     | <u>2,246,242</u>     | <u>(720,347)</u>     | <u>(5.9)</u> |
| <b>NET ASSETS</b>                         | <u>\$ 11,414,911</u> | <u>12,309,907</u>    | <u>(894,996)</u>     | <u>(7.3)</u> |

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Central States, Southeast and Southwest Areas Pension Fund  
 Executive Summary of Financial Operations  
 June 30, 2020  
 (Tabular dollar amounts in thousands)

|   | Year-to-Date        |                  | Change from Prior Year |            |
|---|---------------------|------------------|------------------------|------------|
|   | 2020                | 2019             | Dollars                | Percentage |
| <b><u>INCOME &amp; EXPENSES</u></b>                         |                     |                  |                        |            |
| Contributions (includes W/L)                                | \$ 298,497          | 346,835          | (48,338) (1)           | (13.9)     |
| Benefits  | 1,421,774           | 1,417,220        | (4,554)                | (0.3)      |
| General and administrative expenses                         | <u>20,306</u>       | <u>22,364</u>    | <u>2,058</u>           | 9.2        |
| Operating gain(loss)  | (1,143,583)         | (1,092,749)      | (50,834)               | N/A        |
| Net investment income(loss)                                 | <u>248,587</u>      | <u>978,928</u>   | <u>(730,341)</u>       | N/A        |
| Change in net assets  | <u>\$ (894,996)</u> | <u>(113,821)</u> | <u>(781,175)</u>       | N/A        |
| <b><u>OPERATING STATISTICS</u></b>                          |                     |                  |                        |            |
| Benefits to contributions                                   | 476.3 %             | 408.6 %          |                        |            |
| General and administrative expenses to:                     |                     |                  |                        |            |
| Contributions   | 6.8 %               | 6.4 %            |                        |            |
| Benefits  | 1.4 %               | 1.6 %            |                        |            |
| Five-month average FTEs                                     | 45,281              | 52,029           |                        |            |
| Contributions per average FTE                               | \$ 6,592            | 6,666            |                        |            |
| Benefits per average FTE                                    | \$ 31,399           | 27,239           |                        |            |
| Pensioners and beneficiaries - current month                | 197,762             | 199,349          |                        |            |
| Current month average benefit per pensioner and beneficiary | \$ 1,192            | 1,180            |                        |            |

**Note(s):**

(1) Decrease in FTEs and W/L, combined with an increase in reserves for YRC.

Central States, Southeast and Southwest Areas Pension Fund  
 Executive Summary of Current and Projected Operations  
 June 30, 2020  
 (Dollar amounts in thousands)

|                                     | Actual through<br>June 2020 | Projection       |                      |                              |
|-------------------------------------|-----------------------------|------------------|----------------------|------------------------------|
|                                     |                             | July<br>2020     | Remainder of<br>2020 | Year Ending<br>December 2020 |
| Contributions (includes W/L)        | \$ 298,497                  | 78,200           | 248,503              | 625,200                      |
| Benefits                            | 1,421,774                   | 237,200          | 1,186,826            | 2,845,800                    |
| General and administrative expenses | <u>20,306</u>               | <u>3,800</u>     | <u>18,894</u>        | <u>43,000</u>                |
| Operating gain(loss)                | <u>\$ (1,143,583)</u>       | <u>(162,800)</u> | <u>(957,217)</u>     | <u>(2,263,600)</u>           |

Assumptions Used in 2020 Projections

Contributions - No change in plan mix and \$112.6 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2019 expenses for remaining months.

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

|  | June 30,<br>2020     | December 31,      |                   |
|--|----------------------|-------------------|-------------------|
|  |                      | 2019              | 2018              |
| <b>ASSETS</b>  |                      |                   |                   |
| Investments:   |                      |                   |                   |
| Cash equivalents   | \$ 157,193           | 189,913           | 273,974           |
| Fixed income   | 11,043,599           | 10,345,350        | 9,243,651         |
| Equity   | 5,048                | 1,414,435         | 3,260,515         |
| Other  | 47                   | 97,535            | 136,004           |
| Total investments  | <u>11,205,887</u>    | <u>12,047,233</u> | <u>12,914,144</u> |
| Receivables:   |                      |                   |                   |
| Employer contributions, less allowance for uncollectible contributions (1) | 65,545               | 63,404            | 70,802            |
| Interest and dividends   | 65,393               | 71,061            | 66,234            |
| Other, including investment related  | 628,709              | 342,127           | 431,326           |
| Total receivables  | <u>759,647</u>       | <u>476,592</u>    | <u>568,362</u>    |
| Cash   | 298                  | 438               | 1,954             |
| Assets held in securities lending program                                  | 2,410,941            | 2,027,590         | 2,381,248         |
| Other, primarily fixed assets - net  | 4,727                | 4,296             | 3,854             |
| Total assets   | <u>14,381,500</u>    | <u>14,556,149</u> | <u>15,869,562</u> |
| <b>LIABILITIES</b>   |                      |                   |                   |
| Liability to return collateral held under securities lending agreements    | 2,410,941            | 2,027,590         | 2,381,248         |
| Investment related   | 448,013              | 131,539           | 241,709           |
| Accounts payable and accrued expenses (2)                                  | 88,243               | 73,490            | 73,614            |
| Deferred withdrawal liability receipts                                     | 19,392               | 13,623            | 4,947             |
| Total liabilities  | <u>2,966,589</u>     | <u>2,246,242</u>  | <u>2,701,518</u>  |
| <b>NET ASSETS</b>  | <u>\$ 11,414,911</u> | <u>12,309,907</u> | <u>13,168,044</u> |

Note(s):

|   |           |        |        |
|---|-----------|--------|--------|
| (1) Allowance for uncollectible contributions:                  | \$ 63,842 | 58,896 | 58,637 |
| Reserve for YRC (2009 deferral) included in above allowance:    | \$ 35,269 | 35,269 | 36,669 |
| Reserve for YRC 2020 contributions included in above allowance: | \$ 6,937  | 0      | 0      |
| (2) Includes a liability for 401(h) plan assets:                | \$ 66,898 | 65,910 | 59,757 |

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

|   | June                 |                   | Six Months Ended June |                   |
|---|----------------------|-------------------|-----------------------|-------------------|
|   | 2020                 | 2019              | 2020                  | 2019              |
| Revenue:  |                      |                   |                       |                   |
| Contributions   | \$ 44,099            | 55,154            | 239,016               | 285,470           |
| Withdrawal liability                                      | 14,797               | 11,087            | 59,481                | 61,365            |
| Total revenue   | <u>58,896</u>        | <u>66,241</u>     | <u>298,497</u>        | <u>346,835</u>    |
| Benefits and expenses:                                    |                      |                   |                       |                   |
| Benefits to participants                                  | 237,038              | 235,977           | 1,421,774             | 1,417,220         |
| General and administrative expenses                       | 3,478                | 3,883             | 20,306                | 22,364            |
| Total benefits and expenses                               | <u>240,516</u>       | <u>239,860</u>    | <u>1,442,080</u>      | <u>1,439,584</u>  |
| Operating gain(loss)                                      | (181,620)            | (173,619)         | (1,143,583)           | (1,092,749)       |
| Investment income(loss):                                  |                      |                   |                       |                   |
| Interest, dividends and other                             | 22,090               | 24,971            | 136,674               | 153,358           |
| Realized and unrealized gain(loss)<br>on investments, net | 19,766               | 202,065           | 118,108               | 832,826           |
| Investment expenses                                       | (1,019)              | (1,174)           | (6,195)               | (7,256)           |
| Net investment income(loss)                               | <u>40,837</u>        | <u>225,862</u>    | <u>248,587</u>        | <u>978,928</u>    |
| Change in net assets                                      | (140,783)            | 52,243            | (894,996)             | (113,821)         |
| <b>NET ASSETS:</b>  |                      |                   |                       |                   |
| Beginning of period                                       | <u>11,555,694</u>    | <u>13,001,980</u> | <u>12,309,907</u>     | <u>13,168,044</u> |
| End of period   | <u>\$ 11,414,911</u> | <u>13,054,223</u> | <u>11,414,911</u>     | <u>13,054,223</u> |

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

|   | Years Ended          |                   |                   |                   |
|---|----------------------|-------------------|-------------------|-------------------|
|   | 2019                 | 2018              | 2017              | 2016              |
| Revenue:  |                      |                   |                   |                   |
| Contributions   | \$ 554,886           | 586,194           | 621,562           | 612,393           |
| Withdrawal liability                                      | 186,676              | 556,449 (1)       | 187,985           | 162,981           |
| Total revenue   | <u>741,562</u>       | <u>1,142,643</u>  | <u>809,547</u>    | <u>775,374</u>    |
| Benefits and expenses:                                    |                      |                   |                   |                   |
| Benefits to participants                                  | 2,836,579            | 2,830,161         | 2,813,547         | 2,809,605         |
| General and administrative expenses                       | 44,442               | 44,236            | 46,006            | 47,599            |
| Total benefits and expenses                               | <u>2,881,021</u>     | <u>2,874,397</u>  | <u>2,859,553</u>  | <u>2,857,204</u>  |
| Operating gain(loss)                                      | (2,139,459)          | (1,731,754)       | (2,050,006)       | (2,081,830)       |
| Investment income(loss):                                  |                      |                   |                   |                   |
| Interest, dividends and other                             | 301,117              | 312,387           | 294,896           | 336,410           |
| Realized and unrealized gain(loss)<br>on investments, net | 994,052              | (407,175)         | 1,525,729         | 927,577           |
| Investment expenses                                       | (13,847)             | (17,066)          | (26,500)          | (40,832)          |
| Net investment income(loss)                               | <u>1,281,322</u>     | <u>(111,854)</u>  | <u>1,794,125</u>  | <u>1,223,155</u>  |
| Change in net assets                                      | (858,137)            | (1,843,608)       | (255,881)         | (858,675)         |
| <b>NET ASSETS:</b>  |                      |                   |                   |                   |
| Beginning of period                                       | <u>13,168,044</u>    | <u>15,011,652</u> | <u>15,267,533</u> | <u>16,126,208</u> |
| End of period   | <u>\$ 12,309,907</u> | <u>13,168,044</u> | <u>15,011,652</u> | <u>15,267,533</u> |

Note(s):

(1) 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)

|                                      | June             |                 | Six Months Ended June |                    |
|--------------------------------------|------------------|-----------------|-----------------------|--------------------|
|                                      | 2020             | 2019            | 2020                  | 2019               |
| <b>Operations:</b>                   |                  |                 |                       |                    |
| Contributions                        | \$ 36,699        | 46,458          | 244,070               | 283,214            |
| Benefits paid, net (1)(2)            | (237,364)        | (30,685)        | (1,421,249)           | (1,416,709)        |
|                                      | <u>(200,665)</u> | <u>15,773</u>   | <u>(1,177,179)</u>    | <u>(1,133,495)</u> |
| Payroll                              | (1,043)          | (1,130)         | (7,149)               | (7,752)            |
| Employee benefits                    | (639)            | (557)           | (3,476)               | (3,624)            |
| Fees, services and software          | (325)            | (633)           | (1,718)               | (2,434)            |
| Rent, including equipment            | (81)             | (99)            | (489)                 | (627)              |
| Office                               | (190)            | (202)           | (1,760)               | (2,002)            |
| Withdrawal liability receipts        | 15,663           | 11,823          | 64,777                | 64,813             |
| Other                                | 3,771            | 2,797           | 274                   | (799)              |
|                                      | <u>17,156</u>    | <u>11,999</u>   | <u>50,459</u>         | <u>47,575</u>      |
| Net from operations                  | (183,509)        | 27,772          | (1,126,720)           | (1,085,920)        |
| <b>Investments:</b>                  |                  |                 |                       |                    |
| Net sales(purchases)                 | 164,214          | (41,212)        | 989,266               | 948,765            |
| Interest and dividends               | 20,701           | 13,890          | 142,814               | 142,248            |
| Management fees                      | (1,576)          | (611)           | (5,500)               | (6,820)            |
| Investments, net                     | <u>183,339</u>   | <u>(27,933)</u> | <u>1,126,580</u>      | <u>1,084,193</u>   |
| Change in cash                       | (170)            | (161)           | (140)                 | (1,727)            |
| <b>Cash:</b>                         |                  |                 |                       |                    |
| Beginning of period                  | <u>468</u>       | <u>388</u>      | <u>438</u>            | <u>1,954</u>       |
| End of period                        | <u>\$ 298</u>    | <u>227</u>      | <u>298</u>            | <u>227</u>         |
| <b>Note(s):</b>                      |                  |                 |                       |                    |
| (1) Includes change in overdraft:    | \$ (324)         | 172             | 526                   | 511                |
| (2) Includes timing for EFT funding: | \$ 0             | 205,120         | 0                     | 0                  |

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

|                               | Years Ended        |                    |                    |                    |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
|                               | 2019               | 2018               | 2017               | 2016               |
| Operations:                   |                    |                    |                    |                    |
| Contributions                 | \$ 554,895         | 588,551            | 623,525            | 609,598            |
| Benefits paid, net (1)        | <u>(2,836,717)</u> | <u>(2,830,037)</u> | <u>(2,813,694)</u> | <u>(2,809,397)</u> |
|                               | <u>(2,281,822)</u> | <u>(2,241,486)</u> | <u>(2,190,169)</u> | <u>(2,199,799)</u> |
| Payroll                       | (15,507)           | (15,297)           | (16,777)           | (16,401)           |
| Employee benefits             | (7,399)            | (7,095)            | (7,696)            | (7,623)            |
| Fees, services and software   | (4,388)            | (4,218)            | (4,196)            | (6,427)            |
| Rent, including equipment     | (1,679)            | (1,237)            | (1,408)            | (1,380)            |
| Office (2)                    | (14,420)           | (14,628)           | (14,063)           | (14,405)           |
| Withdrawal liability receipts | 194,804            | 565,749 (3)        | 179,764            | 161,234            |
| Other                         | 44                 | (2,032)            | (2,669)            | (548)              |
|                               | <u>151,455</u>     | <u>521,242</u>     | <u>132,955</u>     | <u>114,450</u>     |
| Net from operations           | <u>(2,130,367)</u> | <u>(1,720,244)</u> | <u>(2,057,214)</u> | <u>(2,085,349)</u> |
| Net sales(purchases)          | 1,847,559          | 1,435,950          | 1,796,324          | 1,786,994          |
| Interest and dividends        | 296,838            | 304,571            | 290,993            | 339,149            |
| Management fees               | <u>(15,546)</u>    | <u>(20,038)</u>    | <u>(28,933)</u>    | <u>(41,767)</u>    |
| Investments, net              | <u>2,128,851</u>   | <u>1,720,483</u>   | <u>2,058,384</u>   | <u>2,084,376</u>   |
| Change in cash                | (1,516)            | 239                | 1,170              | (973)              |
| <b>Cash:</b>                  |                    |                    |                    |                    |
| Beginning of period           | <u>1,954</u>       | <u>1,715</u>       | <u>545</u>         | <u>1,518</u>       |
| End of period                 | <u>\$ 438</u>      | <u>1,954</u>       | <u>1,715</u>       | <u>545</u>         |

Note(s):

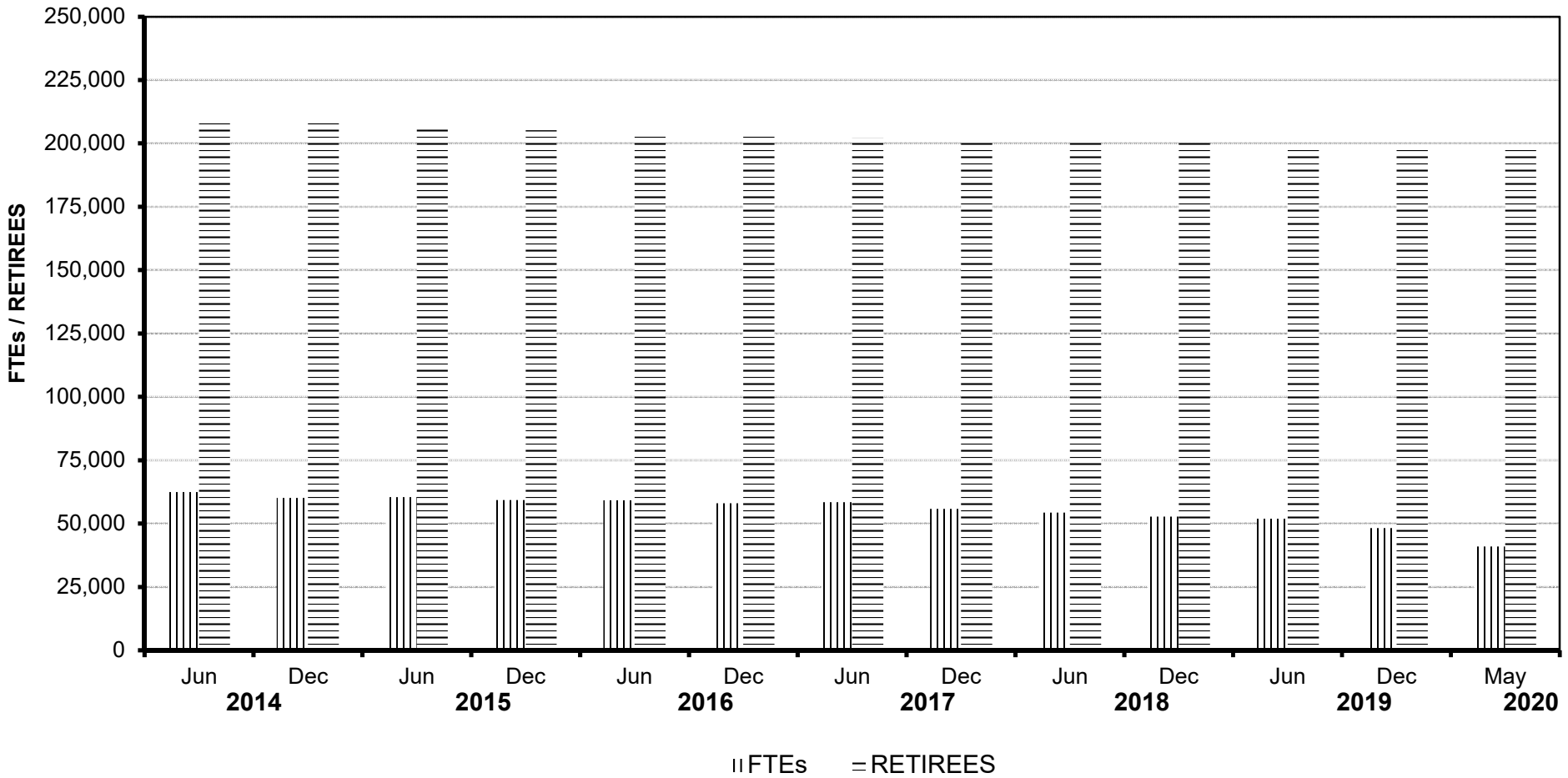
|   |             |          |          |          |
|---|-------------|----------|----------|----------|
| (1) Includes change in overdraft:   | \$ (138)    | 1,122    | (146)    | 207      |
| (2) Includes PBGC payment:  | \$ (11,008) | (10,835) | (10,778) | (10,555) |
| (3) Includes \$416.9 million from The Kroger Co. and \$47.7 million from Southstar LLC. |             |          |          |          |

FOR INTERNAL USE ONLY

# Central States Pension Fund

Full Time Equivalents vs. Retirees

June 2014 Through May 2020



FOR INTERNAL USE ONLY