

CENTRAL STATES HEALTH AND WELFARE FUND
FINANCIAL AND ANALYTICAL INFORMATION
JUNE 30, 2014

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**HEALTH & WELFARE FUND
FINANCIAL REPORT
June 30, 2014 and the Six Months Then Ended**
(Dollars in Thousands)

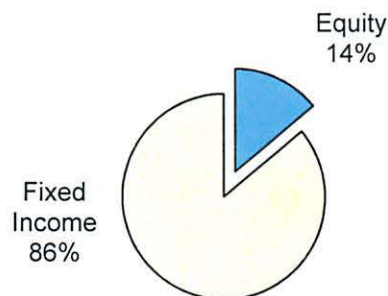
1. Net assets were \$3,894,262 at June 30, 2014, compared to \$2,017,072 at December 31, 2013, an increase of \$1,877,190 compared to an increase of \$72,488 for the same period last year. Net assets increased \$163,320 excluding the UPS lump sum.

The \$1,804,702 difference is due to a \$1,713,870 UPS lump sum, \$82,910 more net operating income and \$7,922 more net investment income.

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

As of:	Actives	Retirees
May 2014	94,597	7,837
December 2013	83,729	8,012
Five-month average:		
May 2014	88,464	7,957
May 2013	82,345	8,849
% increase (decrease)	7.43%	(10.08)%

3. For the six months ended June 2014, the Fund's net asset increase before investment income was \$104,549 compared to an increase of \$21,639 for the same period in 2013, or an \$82,910 favorable change:
- \$175,844 more contributions due to increases in FTEs (UPS) and contribution rates,
 - (\$80,691) more benefits, primarily due to UPS (benefits paid and estimated claims liability),
 - (\$5,217) more TeamCare administrative fees and
 - (\$7,026) more general and administrative expenses.
4. During the six months ended June 2014 and 2013, the Fund transferred \$1,755,094 and \$36,380, respectively, to investments (BNY Mellon) as the operations generated positive cash flows for those periods.
5. Investment asset allocation as of June 30, 2014:



Central States, Southeast and Southwest Areas Health and Welfare Fund
Executive Summary of Financial Position
June 30, 2014
(Dollar amounts in thousands)

	June 30, 2014	December 31, 2013	Change in Net Assets	
			Dollars	Percentage
Total investments, net	\$ 3,925,061	2,108,533	1,816,528 (1)	90.0
Employer contributions receivable, net	188,665	109,215	79,450 (2)	3.9
Assets held in securities lending program	309,615	173,323	136,292	6.8
Other assets	16,073	27,165	(11,092)	(0.5)
Total assets	4,439,414	2,418,236	2,021,178	100.2
Estimated benefits	210,673	212,029	1,356	0.1
Liability to return collateral held under securities lending agreements	310,193	174,036	(136,157)	(6.8)
Other liabilities	24,286	15,099	(9,187)	(0.4)
Total liabilities	545,152	401,164	(143,988)	(7.1)
NET ASSETS	\$ 3,894,262	2,017,072	1,877,190	93.1

Note(s):

(1) Includes \$1,713,870 UPS lump sum.

(2) Addition of new UPS members.

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations
 June 30, 2014
 (Tabular dollar amounts in thousands)

	<u>Year-to-Date</u>		<u>Change from Prior Year</u>	
	<u>2014</u>	<u>2013</u>	<u>Dollars</u>	<u>Percentage</u>
<u>INCOME & EXPENSES</u>				
Contributions	\$ 795,346	619,502	175,844 (1)	28.4
Benefits	643,274	562,583	(80,691) (2)	(14.3)
TeamCare administrative fees	21,641	16,424	(5,217)	(31.8)
General and administrative expenses	<u>25,882</u>	<u>18,856</u>	<u>(7,026)</u>	<u>(37.3)</u>
Change in net assets before net investment income(loss)	104,549	21,639	82,910	N/A
Net investment income(loss)	<u>58,771</u>	<u>50,849</u>	<u>7,922</u>	N/A
Change in net assets before UPS lump sum	163,320	72,488	90,832	N/A
UPS lump sum	<u>1,713,870</u>	<u>0</u>	<u>1,713,870</u>	N/A
Change in net assets	<u>\$ 1,877,190</u>	<u>72,488</u>	<u>1,804,702</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits <u>paid</u> to contributions	81.1 %	92.6 %		
General and administrative expenses to:				
Contributions	3.3 %	3.0 %		
Benefits <u>paid</u>	4.0 %	3.3 %		
Five-month average FTEs	88,464	82,345		
Contributions per average FTE	\$ 8,991	7,523		
Benefits <u>paid</u> per average FTE	\$ 7,287	6,967		

Note(s):

(1) Increases in FTEs (UPS) and contribution rates.

(2) Primarily due to UPS (benefits paid and estimated claims liability).

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Current and Projected Operations
 June 30, 2014
 (Dollar amounts in thousands)

	Actual through June 2014	Projection		Year Ending December 2014
		July 2014	Remainder of 2014	
Contributions	\$ 795,346	192,700	1,084,754	2,072,800
Benefits	643,274	169,300	984,226	1,796,800
TeamCare administrative fees	21,641	5,300	26,959	53,900
General and administrative expenses	<u>25,882</u>	<u>5,000</u>	<u>20,318</u>	<u>51,200</u>
Change in net assets before net investment income(loss)	104,549	13,100	53,251	170,900
Net investment income(loss)	<u>58,771</u>	<u>(9,500)</u>	<u>39,729</u>	<u>89,000</u>
Change in net assets before UPS lump sum	<u>163,320</u>	<u>3,600</u>	<u>92,980</u>	<u>259,900</u>
UPS lump sum	<u>1,713,870</u>	<u>N/A</u>	<u>N/A</u>	<u>1,713,870</u>
Change in net assets	<u>\$ 1,877,190</u>	<u>3,600</u>	<u>92,980</u>	<u>1,973,770</u>

Assumptions used in 2014 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 7% per FTE plus IBNR adjustment for UPS.

General and administrative expenses - Actual expenses to date plus 2% increase over 2013 expenses for remaining months.

Investment income - Actual return earned to date plus remaining months annualized return of 4% and .27% for UPS lump sum.

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

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
ASSETS			
Investments:			
United States government and government agency debt	\$ 2,325,431	1,260,431	1,233,667
Corporate debt	1,031,730	314,314	193,220
Common stock index fund	543,988	533,831	471,391
Total investments	<u>3,901,149</u>	<u>2,108,576</u>	<u>1,898,278</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	188,665	109,215	116,419
Other, primarily investment related	62,905	54,077	132,149
Total receivables	<u>251,570</u>	<u>163,292</u>	<u>248,568</u>
Cash	295	32	337
Assets held in securities lending program	309,615	173,323	251,903
Other, primarily furniture and equipment - net	8,957	7,129	2,512
Total assets	<u>4,471,586</u>	<u>2,452,352</u>	<u>2,401,598</u>
LIABILITIES			
Estimated benefits (2)(3)	210,673	212,029	208,809
Liability to return collateral held under securities lending agreements	310,193	174,036	252,747
Checks drawn against future deposits	6,829	4,861	4,378
Payable for securities purchased	32,172	34,116	128,443
Accounts payable and accrued expenses	17,457	10,238	8,705
Total liabilities	<u>577,324</u>	<u>435,280</u>	<u>603,082</u>
NET ASSETS	<u>\$ 3,894,262</u>	<u>2,017,072</u>	<u>1,798,516</u>
Note(s):			
(1) Allowance for uncollectible contributions:	\$ 1,990	1,686	1,199
(2) Includes estimated claims liability adjustments:	\$ 0	3,220	(9,065)
(3) Includes estimated IBNR adjustment for UPS:	\$ 15,000	0	0

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

	June		Six Months Ended June	
	2014	2013	2014	2013
Contributions	\$ 189,911	118,697	795,346	619,502
Benefits and expenses:				
Benefits paid	116,307	85,877	644,630	573,689
Changes to liabilities for benefits (1)	15,000	0	(1,356)	(11,106)
TeamCare administrative fees	5,103	2,725	21,641	16,424
General and administrative expenses	4,477	2,931	25,882	18,856
Total benefits and expenses	140,887	91,533	690,797	597,863
Change in net assets before net investment income(loss)	49,024	27,164	104,549	21,639
Investment income(loss):				
Interest and dividends	2,567	2,684	16,030	17,273
Realized and unrealized gain(loss) on investments, net	9,280	(18,539)	43,260	33,986
Investment expenses	(150)	(70)	(519)	(410)
Net investment income(loss)	11,697	(15,925)	58,771	50,849
Change in net assets before UPS lump sum	60,721	11,239	163,320	72,488
UPS lump sum	1,713,870	0	1,713,870	0
Change in net assets	1,774,591	11,239	1,877,190	72,488
NET ASSETS:				
Beginning of period	2,119,671	1,859,765	2,017,072	1,798,516
End of period	\$ 3,894,262	1,871,004	3,894,262	1,871,004
Note(s):				
(1) Includes estimated IBNR adjustment for UPS:	\$ 15,000	0	15,000	0

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

	Years Ended			
	2013	2012	2011	2010
Contributions	\$ 1,282,118	1,228,392	1,201,584	1,134,495
Benefits and expenses:				
Benefits paid	1,115,890	1,106,476	1,029,861 (1)	946,476 (2)
Changes to liabilities for benefits	3,220	(9,065)	14,402	9,287
TeamCare administrative fees	33,514	31,588	30,775	29,413
General and administrative expenses	43,224	38,556	37,612	36,309
Total benefits and expenses	<u>1,195,848</u>	<u>1,167,555</u>	<u>1,112,650</u>	<u>1,021,485</u>
Change in net assets before net investment income(loss)	86,270	60,837	88,934	113,010
Investment income(loss):				
Interest and dividends	35,044	41,026	42,384	37,046
Realized and unrealized gain(loss) on investments, net	98,082	52,709	18,651	57,400
Investment expenses	(840)	(738)	(718)	(634)
Net investment income(loss)	<u>132,286</u>	<u>92,997</u>	<u>60,317</u>	<u>93,812</u>
Change in net assets	218,556	153,834	149,251	206,822
NET ASSETS:				
Beginning of period	<u>1,798,516</u>	<u>1,644,682</u>	<u>1,495,431</u>	<u>1,288,609</u>
End of period	<u>\$ 2,017,072</u>	<u>1,798,516</u>	<u>1,644,682</u>	<u>1,495,431</u>

Note(s):

(1) Includes \$5,717 received for 2011 ERRP.

(2) Includes ERRP reimbursements of \$16,983 for 2010.

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

	June		Six Months Ended June	
	2014	2013	2014	2013
Operations:				
Contributions	\$ 145,377	95,760	718,185	621,414
Benefits paid, net (1)	(124,616)	(83,514)	(628,968)	(550,619)
	<u>20,761</u>	<u>12,246</u>	<u>89,217</u>	<u>70,795</u>
Payroll	(1,948)	(1,330)	(12,371)	(9,138)
Employee benefits	(1,324)	(701)	(6,585)	(4,593)
Fees and services (primarily TeamCare)	(4,129)	(2,922)	(21,324)	(17,718)
Rent	(236)	(165)	(1,387)	(992)
Office	(465)	(87)	(2,893)	(2,110)
Other	(1,459)	373	(3,174)	(97)
	<u>(9,561)</u>	<u>(4,832)</u>	<u>(47,734)</u>	<u>(34,648)</u>
Net from operations	11,200	7,414	41,483	36,147
Investments, net	<u>(11,087)</u>	<u>(7,348)</u>	<u>(41,220)</u>	<u>(36,377)</u>
Change in cash before UPS lump sum	113	66	263	(230)
UPS lump sum	1,713,870	0	1,713,870	0
Investment of UPS lump sum	<u>(1,713,870)</u>	<u>0</u>	<u>(1,713,870)</u>	<u>0</u>
Change in cash	113	66	263	(230)
Cash:				
Beginning of period	<u>182</u>	<u>41</u>	<u>32</u>	<u>337</u>
End of period	<u>\$ 295</u>	<u>107</u>	<u>295</u>	<u>107</u>

Note(s):

(1) Includes change in overdraft of:

\$	567	515	1,968	154
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Central States, Southeast and Southwest Areas Health and Welfare Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	Years Ended			
	2013	2012	2011	2010
Operations:				
Contributions	\$ 1,288,752	1,221,581	1,179,951	1,131,181
Benefits paid, net (1)	(1,117,059)	(1,105,563)	(1,021,138) (2)	(955,479) (3)
	<u>171,693</u>	<u>116,018</u>	<u>158,813</u>	<u>175,702</u>
Payroll	(20,268)	(18,733)	(19,065)	(18,218)
Employee benefits	(10,154)	(9,024)	(8,935)	(9,033)
Fees and services (primarily TeamCare)	(37,566)	(34,709)	(33,352)	(31,680)
Rent	(2,117)	(1,941)	(1,556) (4)	(1,595) (5)
Office	(4,724)	(4,427)	(4,200)	(3,770)
Other	(4,877)	(1,650)	(485)	(1,115)
	<u>(79,706)</u>	<u>(70,484)</u>	<u>(67,593)</u>	<u>(65,411)</u>
Net from operations	91,987	45,534	91,220	110,291
Investments, net	<u>(92,292)</u>	<u>(45,390)</u>	<u>(91,494)</u>	<u>(110,326)</u>
Change in cash	(305)	144	(274)	(35)
Cash:				
Beginning of period	<u>337</u>	<u>193</u>	<u>467</u>	<u>502</u>
End of period	<u>\$ 32</u>	<u>337</u>	<u>193</u>	<u>467</u>

Note(s):

- | | | | | |
|--------------------------------------------------------------|--------|------|-------|-------|
| (1) Includes change in overdraft of: | \$ 483 | (12) | 1,250 | (793) |
| (2) Includes ERRP reimbursements of \$13,799. | | | | |
| (3) Includes ERRP reimbursement of \$8,901. | | | | |
| (4) Includes rent abatement of \$270. | | | | |
| (5) Includes unused building improvement allowance of \$248. | | | | |

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Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
June 2008 Through May 2014

