

**CENTRAL STATES HEALTH AND WELFARE FUND**  
**FINANCIAL AND ANALYTICAL INFORMATION**  
**JUNE 30, 2015**

**CENTRAL STATES HEALTH AND WELFARE FUND**

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**HEALTH & WELFARE FUND  
FINANCIAL REPORT  
June 30, 2015 and the Six Months Then Ended  
(Dollars in Thousands)**

1. Net assets were \$4,075,612 at June 30, 2015, compared to \$3,819,741 at December 31, 2014, an increase of \$255,871 compared to an increase of \$1,523,857 for the same period last year.

The \$1,267,986 difference is due to \$1,225,280 less net operating income combined with \$42,706 less net investment income.

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

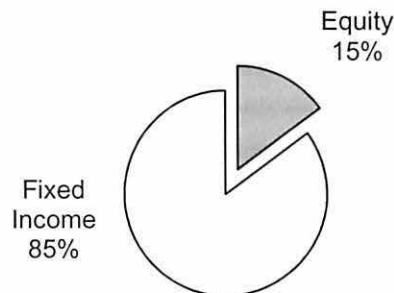
	Actives	Retirees
As of:		
May 2015	187,467	8,315
December 2014	169,674	8,111
Five-month average:		
May 2015	179,379	8,189
May 2014	88,616	7,961
% increase	102.42%	2.86%

3. For the six months ended June 2015, the Fund's net asset increase before investment income was \$239,806 compared to an increase of \$1,465,086 for the same period in 2014, or a \$1,225,280 unfavorable change:

- (\$684,317) less contributions, primarily due to recognized portion of 2014 UPS lump sum,
- (\$520,666) more benefits, primarily due to UPS,
- (\$14,552) more TeamCare administrative fees and
- (\$5,745) more general and administrative expenses.

4. During the six months ended June 2015 and 2014, the Fund transferred \$182,174 and \$1,755,094, respectively, to investments (BNY Mellon) as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of June 30, 2015:



Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Financial Position  
 June 30, 2015  
 (Dollar amounts in thousands)

	June 30, 2015	December 31, 2014	Change in Net Assets	
			Dollars	Percentage
Total investments, net	\$ 4,406,511	4,212,597	193,914	5.1
Employer contributions receivable, net	227,350	197,242	30,108	0.8
Assets held in securities lending program	851,479	294,365	557,114	14.6
Other assets	<u>22,520</u>	<u>35,620</u>	<u>(13,100)</u>	<u>(0.4)</u>
Total assets	<u>5,507,860</u>	<u>4,739,824</u>	<u>768,036</u>	<u>20.1</u>
Estimated benefits	276,188	305,291	29,103	0.8
Liability to return collateral held under securities lending agreements	851,815	294,834	(556,981)	(14.6)
Other liabilities	<u>304,245</u>	<u>319,958</u>	<u>15,713</u>	<u>0.4</u>
Total liabilities	<u>1,432,248</u>	<u>920,083</u>	<u>(512,165)</u>	<u>(13.4)</u>
<b>NET ASSETS</b>	<b><u>\$ 4,075,612</u></b>	<b><u>3,819,741</u></b>	<b><u>255,871</u></b>	<b><u>6.7</u></b>

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Central States, Southeast and Southwest Areas Health and Welfare Fund  
Executive Summary of Financial Operations  
June 30, 2015  
(Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2015	2014	Dollars	Percentage
<b><u>INCOME &amp; EXPENSES</u></b>				
Contributions	\$ 1,422,510	795,346	627,164 (1)	78.9
Recognized portion of UPS lump sum	49,056	1,360,537	(1,311,481)	N/A
Benefits	1,163,940	643,274	(520,666) (2)	(80.9)
TeamCare administrative fees	36,193	21,641	(14,552)	(67.2)
General and administrative expenses	<u>31,627</u>	<u>25,882</u>	<u>(5,745)</u>	(22.2)
Change in net assets before net investment income(loss)	239,806	1,465,086	(1,225,280)	N/A
Net investment income(loss)	<u>16,065</u>	<u>58,771</u>	<u>(42,706)</u>	N/A
Change in net assets	<u>\$ 255,871</u>	<u>1,523,857</u>	<u>(1,267,986)</u>	N/A
<b><u>OPERATING STATISTICS</u></b>				
Benefits <u>paid</u> to contributions	83.9 %	81.1 %		
General and administrative expenses to:				
Contributions	2.2 %	3.3 %		
Benefits <u>paid</u>	2.7 %	4.0 %		
Five-month average FTEs	179,379	88,616		
Contributions per average FTE	\$ 7,930	8,975		
Benefits <u>paid</u> per average FTE	\$ 6,651	7,274		

**Note(s):**

(1) Increases in FTEs (UPS).

(2) Primarily due to UPS.

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Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Current and Projected Operations  
 June 30, 2015  
 (Dollar amounts in thousands)

	Actual through June 2015	July 2015	Projection Remainder of 2015	Year Ending December 2015
Contributions	\$ 1,422,510	224,000	1,285,690	2,932,200
Recognized portion of UPS lump sum	49,056	8,200	40,844	98,100
Benefits	1,163,940	237,800	1,161,160	2,562,900
TeamCare administrative fees	36,193	6,200	31,007	73,400
General and administrative expenses	<u>31,627</u>	<u>4,700</u>	<u>23,673</u>	<u>60,000</u>
Change in net assets before net investment income(loss)	239,806	(16,500)	110,694	334,000
Net investment income(loss)	<u>16,065</u>	<u>9,200</u>	<u>46,235</u>	<u>71,500</u>
Change in net assets	<u>\$ 255,871</u>	<u>(7,300)</u>	<u>156,929</u>	<u>405,500</u>

Assumptions used in 2015 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 7% per FTE.

General and administrative expenses - 2% increase (net of transitional reinsurance fees) over 2014.

Investment income - Actual return earned to date plus remaining months annualized return of 2.5%.

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

	June 30, 2015	December 31,	
		2014	2013
<b>ASSETS</b>			
Investments:			
U. S. government and government agency debt	\$ 1,801,901	2,129,921	1,260,431
Corporate debt	1,972,584	1,519,400	314,314
U.S. equity	99,670	0	0
Commingled equity index fund	545,191	620,102	533,831
Total investments	4,419,346	4,269,423	2,108,576
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	227,350	197,242	109,215
Other, primarily investment related	16,670	24,631	54,077
Total receivables	244,020	221,873	163,292
Cash	224	75	32
Assets held in securities lending program	851,479	294,365	173,323
Other, primarily furniture and equipment - net	10,327	10,914	7,129
Total assets	5,525,396	4,796,650	2,452,352
<b>LIABILITIES</b>			
Estimated benefits (2)	276,188	305,291	212,029
Liability to return collateral held under securities lending agreements	851,815	294,834	174,036
Checks drawn against future deposits	12,039	8,923	4,861
Payable for securities purchased	17,536	56,826	34,116
Accounts payable and accrued expenses (3)	292,206	311,035	10,238
Total liabilities	1,449,784	976,909	435,280
<b>NET ASSETS</b>	<b>\$ 4,075,612</b>	<b>3,819,741</b>	<b>2,017,072</b>
<b>Note(s):</b>			
(1) Allowance for uncollectible contributions:	\$ 2,501	1,821	1,686
(2) Includes estimated claims liability adjustments:	\$ 0	93,262	3,220
(3) Includes deferred UPS revenue:	\$ 235,897	284,953	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	
	2015	2014	2015	2014
<b>Revenue:</b>				
Contributions	\$ 226,451	189,911	1,422,510	795,346
Recognized portion of UPS lump sum	8,176	1,360,537	49,056	1,360,537
Total revenue	234,627	1,550,448	1,471,566	2,155,883
 <b>Benefits and expenses:</b>				
Benefits paid	218,657	116,307	1,193,043	644,630
Changes to liabilities for benefits (1)	0	15,000	(29,103)	(1,356)
TeamCare administrative fees	6,025	5,103	36,193	21,641
General and administrative expenses	5,732	4,477	31,627	25,882
Total benefits and expenses	230,414	140,887	1,231,760	690,797
Change in net assets before net investment income(loss)	4,213	1,409,561	239,806	1,465,086
 <b>Investment income(loss):</b>				
Interest and dividends	5,670	2,567	27,809	16,030
Realized and unrealized gain(loss) on investments, net	(25,847)	9,280	(9,714)	43,260
Investment expenses	(374)	(150)	(2,030)	(519)
Net investment income(loss)	(20,551)	11,697	16,065	58,771
Change in net assets	(16,338)	1,421,258	255,871	1,523,857
 <b>NET ASSETS:</b>				
Beginning of period	4,091,950	2,119,671	3,819,741	2,017,072
End of period	\$ 4,075,612	3,540,929	4,075,612	3,540,929
 <u>Note(s):</u>				
(1) Includes estimated IBNR adjustment for UPS:	\$ 0	15,000	0	15,000

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

	Years Ended			
	2014	2013	2012	2011
Revenue:				
Contributions	\$ 2,095,455	1,282,118	1,228,392	1,201,584
Recognized portion of UPS lump sum	1,428,917	0	0	0
	<u>3,524,372</u>	<u>1,282,118</u>	<u>1,228,392</u>	<u>1,201,584</u>
Benefits and expenses:				
Benefits paid	1,613,566	1,115,890	1,106,476	1,029,861 (2)
Changes to liabilities for benefits	93,262	3,220	(9,065)	14,402
TeamCare administrative fees	54,105	33,514	31,588	30,775
General and administrative expenses	67,328 (1)	43,224	38,556	37,612
Total benefits and expenses	<u>1,828,261</u>	<u>1,195,848</u>	<u>1,167,555</u>	<u>1,112,650</u>
Change in net assets before net investment income(loss)	1,696,111	86,270	60,837	88,934
Investment income(loss):				
Interest and dividends	35,738	35,044	41,026	42,384
Realized and unrealized gain(loss) on investments, net	72,639	98,082	52,709	18,651
Investment expenses	(1,819)	(840)	(738)	(718)
Net investment income(loss)	<u>106,558</u>	<u>132,286</u>	<u>92,997</u>	<u>60,317</u>
Change in net assets	1,802,669	218,556	153,834	149,251
<b>NET ASSETS:</b>				
Beginning of period	<u>2,017,072</u>	<u>1,798,516</u>	<u>1,644,682</u>	<u>1,495,431</u>
End of period	<u>\$ 3,819,741</u>	<u>2,017,072</u>	<u>1,798,516</u>	<u>1,644,682</u>

Note(s):

(1) Includes transitional reinsurance fee of \$11,735.

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

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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	
	2015	2014	2015	2014
<b>Operations:</b>				
Contributions	\$ 280,747	145,377	1,392,736	718,185
UPS lump sum	0	1,713,870	0	1,713,870
Benefits paid, net (1)	(213,038)	(124,616)	(1,140,073)	(628,968)
	67,709	1,734,631	252,663	1,803,087
Payroll	(2,249)	(1,948)	(14,788)	(12,371)
Employee benefits	(1,510)	(1,324)	(7,531)	(6,585)
Fees, services and software (primarily TeamCare)	(6,440)	(4,129)	(37,634)	(21,324)
Rent	(258)	(236)	(1,511)	(1,387)
Office (2)	(788)	(465)	(13,433)	(2,893)
Other	5,402	(1,459)	4,542	(3,174)
	(5,843)	(9,561)	(70,355)	(47,734)
Net from operations	61,866	1,725,070	182,308	1,755,353
Investments, net	(61,768)	(1,724,957)	(182,159)	(1,755,090)
Change in cash	98	113	149	263
<b>Cash:</b>				
Beginning of period	126	182	75	32
End of period	\$ 224	295	224	295
<u>Note(s):</u>				
(1) Includes change in overdraft of:	\$ 1,526	567	3,116	1,968
(2) Includes transitional reinsurance fee:	\$ 0	0	9,779	0

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

	Years Ended			
	2014	2013	2012	2011
<b>Operations:</b>				
Contributions	\$ 2,009,387	1,288,752	1,221,581	1,179,951
UPS lump sum	1,713,870	0	0	0
Benefits paid, net (1)	<u>(1,615,150)</u>	<u>(1,117,059)</u>	<u>(1,105,563)</u>	<u>(1,021,138)</u> (2)
	<u>2,108,107</u>	<u>171,693</u>	<u>116,018</u>	<u>158,813</u>
Payroll	(26,720)	(20,268)	(18,733)	(19,065)
Employee benefits	(13,732)	(10,154)	(9,024)	(8,935)
Fees, services and software (primarily TeamCare)	(56,233)	(37,566)	(34,709)	(33,352)
Rent	(2,852)	(2,117)	(1,941)	(1,556) (3)
Office	(6,030)	(4,724)	(4,427)	(4,200)
Other	<u>(5,677)</u>	<u>(4,877)</u>	<u>(1,650)</u>	<u>(485)</u>
	<u>(111,244)</u>	<u>(79,706)</u>	<u>(70,484)</u>	<u>(67,593)</u>
Net from operations	1,996,863	91,987	45,534	91,220
Investments, net	<u>(1,996,820)</u>	<u>(92,292)</u>	<u>(45,390)</u>	<u>(91,494)</u>
Change in cash	43	(305)	144	(274)
<b>Cash:</b>				
Beginning of period	<u>32</u>	<u>337</u>	<u>193</u>	<u>467</u>
End of period	<u>\$ 75</u>	<u>32</u>	<u>337</u>	<u>193</u>

**Note(s):**

(1) Includes change in overdraft of:

(2) Includes ERRP reimbursements of \$13,799.

(3) Includes rent abatement of \$270.

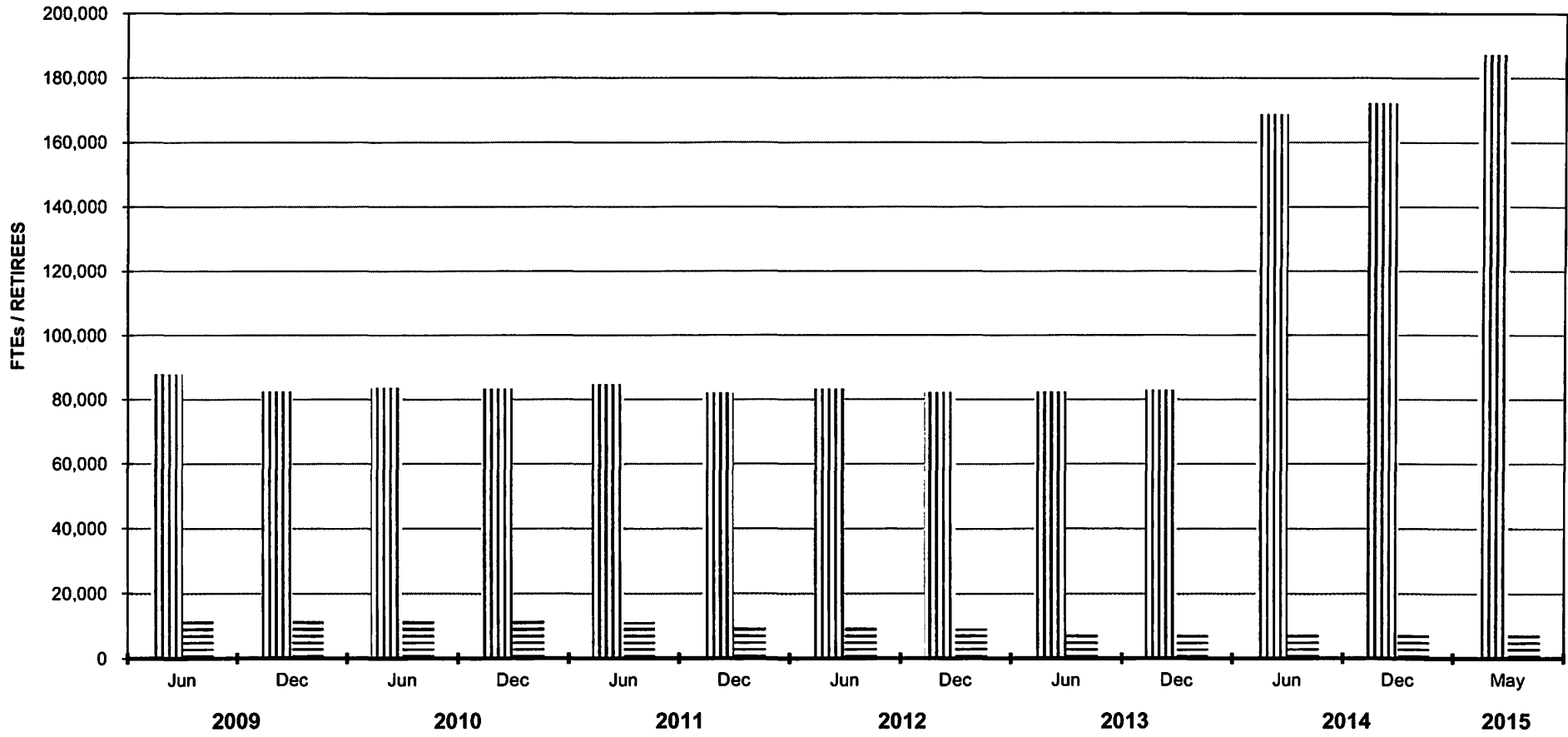
	\$ 4,062	483	(12)	1,250
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# Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees  
June 2009 Through May 2015



|| FTEs    = RETIREES