

**CENTRAL STATES HEALTH AND WELFARE FUND**  
**FINANCIAL AND ANALYTICAL INFORMATION**  
**SEPTEMBER 30, 2016**

**CENTRAL STATES HEALTH AND WELFARE FUND**  
**FINANCIAL AND ANALYTICAL INFORMATION**  
**SEPTEMBER 30, 2016**

Financial Report	FR
Financial Statements:	
Executive Summaries	1-3
Financial Statements *	4-5
Statement of Receipts and Disbursements	6
Graph	7

\*Includes Active Plan and Retiree Plan

**HEALTH & WELFARE FUND  
FINANCIAL REPORT  
September 30, 2016 and the Nine Months Then Ended  
(Dollars in Thousands)**

1. Net assets were \$4,827,235 at September 30, 2016, compared to \$4,316,068 at December 31, 2015, an increase of \$511,167 compared to an increase of \$356,692 for the same period last year.

The \$154,475 difference is due to \$231,373 more net investment income offset by \$76,898 less net operating income.

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

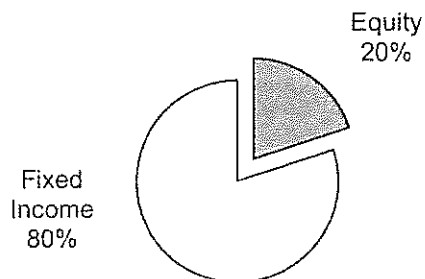
	Actives	Retirees
As of:		
August 2016	191,866	8,789
December 2015	190,006	8,682
Eight-month average:		
August 2016	191,096	8,881
August 2015	183,102	8,421
% increase	4.37%	5.46%

3. For the nine months ended September 2016, the Fund's net asset increase before investment income was \$319,166 compared to an increase of \$396,064 for the same period in 2015, or a \$76,898 unfavorable change:

- \$168,766 more contributions due to increases in FTEs and rates (UPS and American Red Cross),
- (\$237,584) more benefits, primarily due to UPS and American Red Cross,
- (\$3,510) more TeamCare administrative fees and
- (\$4,570) more general and administrative expenses.

4. During the nine months ended September 2016 and 2015, the Fund transferred \$299,063 and \$303,132, respectively, to investments (BNY Mellon) as the operations generated positive cash flows for those periods.

5. Investment asset allocation as of September 30, 2016:



Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Financial Position  
 September 30, 2016  
 (Dollar amounts in thousands)

	September 30, 2016	December 31, 2015	Change in Net Assets	
			Dollars	Percentage
Total investments, net	\$ 5,126,415	4,637,569	488,846	11.3
Employer contributions receivable, net	247,976	243,916	4,060	0.1
Assets held in securities lending program	1,334,360	575,644	758,716	17.6
Other assets	27,206	51,176	(23,970)	(0.6)
Total assets	6,735,957	5,508,305	1,227,652	28.4
Estimated benefits	359,479	400,772	41,293	1.0
Liability to return collateral held under securities lending agreements	1,334,360	575,734	(758,626)	(17.6)
Other liabilities	214,883	215,731	848	-
Total liabilities	1,908,722	1,192,237	(716,485)	(16.6)
<b>NET ASSETS</b>	<b>\$ 4,827,235</b>	<b>4,316,068</b>	<b>511,167</b>	<b>11.8</b>

Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Financial Operations  
 September 30, 2016  
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2016	2015	Dollars	Percentage
<b><u>INCOME &amp; EXPENSES</u></b>				
Contributions	\$ 2,365,050	2,187,059	177,991 (1)	8.1
Recognized portion of UPS lump sum	64,359	73,584	(9,225)	(12.5)
Benefits	1,998,501	1,760,917	(237,584) (2)	(13.5)
TeamCare administrative fees	58,283	54,773	(3,510)	(6.4)
General and administrative expenses	53,459	48,889	(4,570)	(9.3)
Change in net assets before net investment income(loss)	319,166	396,064	(76,898)	N/A
Net investment income(loss)	192,001	(39,372)	231,373	N/A
Change in net assets	\$ 511,167	356,692	154,475	N/A

**OPERATING STATISTICS**

Benefits paid to contributions	86.2 %	81.8 %
General and administrative expenses to:		
Contributions	2.3 %	2.2 %
Benefits paid	2.6 %	2.7 %
Eight-month average FTEs	191,096	183,102
Contributions per average FTE	\$ 12,376	11,944
Benefits paid per average FTE	\$ 10,674	9,776

**Notes:**

- (1) Increases in FTEs and rates (UPS and American Red Cross).
- (2) Primarily due to UPS and American Red Cross.

Central States, Southeast and Southwest Areas Health and Welfare Fund  
 Executive Summary of Current and Projected Operations  
 September 30, 2016  
 (Dollar amounts in thousands)

	Actual through September 2016	October 2016	Projection Remainder of 2016	Year Ending December 2016
Contributions	\$ 2,365,050	320,900	575,250	3,261,200
Recognized portion of UPS lump sum	64,359	7,200	14,241	85,800
Benefits	1,998,501	219,800	472,299	2,690,600
TeamCare administrative fees	58,283	6,800	13,417	78,500
General and administrative expenses	53,459	5,700	11,441	70,600
Change in net assets before net investment income(loss)	319,166	95,800	92,334	507,300
Net investment income(loss)	192,001	12,800	26,299	231,100
Change in net assets	\$ 511,167	108,600	118,633	738,400

Assumptions used in 2016 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 7% per FTE.

General and administrative expenses - Actual expenses to date plus 2% increase over 2015 expenses for remaining months.  
 Investment income - Actual return earned to date plus remaining months annualized return of 3%.

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

	December 31,		
	2015	2014	2013
<b>ASSETS</b>			
Investments:			
Cash equivalents	859,477	1,409,779	1,409,779
U. S. government and government agency debt	1,622,335	1,591,851	1,591,851
Corporate debt	1,343,454	647,192	647,192
U.S. equity	121,841	0	0
International equity	207,613	0	0
Commingled equity index fund	597,323	620,102	620,102
Total investments	4,752,043	4,268,924	4,268,924
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	243,916	197,242	197,242
Other, primarily investment related	42,034	25,129	25,129
Total receivables	285,950	222,371	222,371
Cash	87	75	75
Assets held in securities lending program	575,644	294,365	294,365
Other, primarily furniture and equipment - net	9,895	10,915	10,915
Total assets	5,623,619	4,796,650	4,796,650
<b>LIABILITIES</b>			
Estimated benefits (2)	400,772	305,291	305,291
Liability to return collateral held under securities lending agreements	575,734	294,834	294,834
Checks drawn against future deposits	11,410	8,923	8,923
Payable for securities purchased	115,314	56,826	56,826
Accounts payable and accrued expenses (3)	204,321	311,035	311,035
Total liabilities	1,307,551	976,909	976,909
<b>NET ASSETS</b>	4,316,068	3,819,741	3,819,741
	2,581	1,821	1,821
	87,024	93,262	93,262
	186,841	284,953	284,953

Note(s):

- (1) Allowance for uncollectible contributions:
- (2) Includes estimated claims liability adjustments:
- (3) Includes deferred UPS revenue:

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

	September 30, 2016	December 31, 2014
<b>ASSETS</b>		
Investments:		
Cash equivalents	\$ 1,192,194	859,477
U. S. government and government agency debt	1,459,009	1,622,335
Corporate debt	1,468,515	1,591,851
U.S. equity	145,238	647,192
International equity	248,595	0
Commingled equity index fund	648,802	0
Total investments	5,162,353	4,268,924
Receivables:		
Employer contributions, less allowance for uncollectible contributions (1)	247,976	243,916
Other, primarily investment related	45,212	42,034
Total receivables	293,188	285,950
Cash	561	87
Assets held in securities lending program	1,334,360	575,644
Other, primarily furniture and equipment - net	7,967	9,895
Total assets	6,798,429	5,623,619
<b>LIABILITIES</b>		
Estimated benefits (2)	348,286	389,579
Interest in assets of Retiree Plan	326,091	199,448
Liability to return collateral held under securities lending agreements	1,334,360	575,734
Checks drawn against future deposits	11,798	11,410
Payable for securities purchased	62,472	115,314
Accounts payable and accrued expenses (3)	203,085	204,321
Total liabilities	2,286,092	1,495,806
<b>NET ASSETS</b>	\$ 4,512,337	3,739,938

Note(s):

- (1) Allowance for uncollectible contributions: \$ 3,719
- (2) Includes estimated claims liability adjustments: \$ 0
- (3) Includes deferred UPS revenue: \$ 122,482



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

	September 30, 2016	December 31, 2015	2014
<b>ASSETS</b>			
Interest in assets of Active Plan	\$ 326,091	199,448	88,260
<b>Current benefit obligations</b>			
Claims incurred but not reported	11,193	11,193	8,457
<b>NET ASSETS</b>	\$ 314,898	188,255	79,803

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

	September		Nine Months Ended September	
	2016	2015	2016	2015
<b>Revenue:</b>				
Contributions	\$ 251,593	241,060	2,365,050	2,187,059
Recognized portion of UPS lump sum	7,151	8,176	64,359	73,584
Total revenue	<u>258,744</u>	<u>249,236</u>	<u>2,429,409</u>	<u>2,260,643</u>
<b>Benefits and expenses:</b>				
Benefits	241,540	198,260	1,998,501	1,760,917
TeamCare administrative fees	6,880	6,121	58,283	54,773
General and administrative expenses	5,911	5,491	53,459	48,889
Total benefits and expenses	<u>254,331</u>	<u>209,872</u>	<u>2,110,243</u>	<u>1,864,579</u>
Change in net assets before net investment income(loss)	4,413	39,364	319,166	396,064
<b>Investment income(loss):</b>				
Interest and dividends	8,625	7,077	74,432	45,818
Realized and unrealized gain(loss) on investments, net	1,875	(22,559)	123,022	(81,889)
Investment expenses	(634)	(399)	(5,453)	(3,301)
Net investment income(loss)	<u>9,866</u>	<u>(15,881)</u>	<u>192,001</u>	<u>(39,372)</u>
Change in net assets	14,279	23,483	511,167	356,692
<b>NET ASSETS:</b>				
Beginning of period	4,812,956	4,152,950	4,316,068	3,819,741
End of period	<u>\$ 4,827,235</u>	<u>4,176,433</u>	<u>4,827,235</u>	<u>4,176,433</u>

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

	Years Ended			
	2015	2014	2013	2012
Revenue:				
Contributions	\$ 2,973,546	2,095,455	1,282,118	1,228,392
Recognized portion of UPS lump sum	98,112	1,428,917	0	0
Total revenue	<u>3,071,658</u>	<u>3,524,372</u>	<u>1,282,118</u>	<u>1,228,392</u>
Benefits and expenses:				
Benefits	2,430,448	1,706,828	1,119,110	1,097,411
TeamCare administrative fees	73,573	54,105	33,514	31,588
General and administrative expenses	67,057	67,328 (1)	43,224	38,556
Total benefits and expenses	<u>2,571,078</u>	<u>1,828,261</u>	<u>1,195,848</u>	<u>1,167,555</u>
Change in net assets before net investment income(loss)	500,580	1,696,111	86,270	60,837
Investment income(loss):				
Interest and dividends	65,839	35,738	35,044	41,026
Realized and unrealized gain(loss) on investments, net	(65,274)	72,639	98,082	52,709
Investment expenses	(4,818)	(1,819)	(840)	(738)
Net investment income(loss)	<u>(4,253)</u>	<u>106,558</u>	<u>132,286</u>	<u>92,997</u>
Change in net assets	496,327	1,802,669	218,556	153,834
<b>NET ASSETS:</b>				
Beginning of period	<u>3,819,741</u>	<u>2,017,072</u>	<u>1,798,516</u>	<u>1,644,682</u>
End of period	<u>\$ 4,316,068</u>	<u>3,819,741</u>	<u>2,017,072</u>	<u>1,798,516</u>

Note(s):

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

Central States, Southeast and Southwest Areas Health and Welfare Fund Active Plan

Statement of Changes in Net Assets  
(In thousands)

	September 2016	Nine Months Ended September 2016	2015	Years Ended 2014
Revenue:				
Contributions	\$ 230,209	2,325,385	2,972,722	2,094,725
Recognized portion of UPS lump sum	7,151	64,359	98,112	1,428,917
Total revenue	<u>237,360</u>	<u>2,389,744</u>	<u>3,070,834</u>	<u>3,523,642</u>
Benefits and expenses:				
Benefits	231,902	1,908,785	2,324,450	1,613,251
Retiree Plan Funding	0	173,000	220,000	173,468
TeamCare administrative fees	6,570	55,608	70,336	51,129
General and administrative expenses	5,645	51,006	64,107	63,625
Total benefits and expenses	<u>244,117</u>	<u>2,188,399</u>	<u>2,678,893</u>	<u>1,901,473</u>
Net Investment income(loss)	9,422	183,179	(4,066)	100,697
Change in net assets	2,665	384,524	387,875	1,722,866
<b>NET ASSETS:</b>				
Beginning of period	4,509,672	4,127,813	3,739,938	2,017,072
End of period	<u>\$ 4,512,337</u>	<u>4,512,337</u>	<u>4,127,813</u>	<u>3,739,938</u>

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	
	2016	2016	2015	2014
Retiree Plan Funding Transfer	\$ 0	173,000	220,000	173,468
Contributions	21,384	39,665	824	730
Benefits and expenses:				
Benefits	9,638	89,716	105,998	93,577
TeamCare administrative fees	310	2,675	3,237	2,976
General and administrative expenses	266	2,453	2,950	3,703
Total benefits and expenses	<u>10,214</u>	<u>94,844</u>	<u>112,185</u>	<u>100,256</u>
Net investment income(loss)	444	8,822	(187)	5,861
Change in net assets	11,614	126,643	108,452	79,803
<b>NET ASSETS:</b>				
Beginning of period	<u>303,284</u>	<u>188,255</u>	<u>79,803</u>	<u>0</u>
End of period	<u>\$ 314,898</u>	<u>314,898</u>	<u>188,255</u>	<u>79,803</u>

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

	September		Nine Months Ended September	
	2016	2015	2016	2015
Operations:				
Contributions	\$ 254,138	297,474	2,363,072	2,145,545
Benefits paid, net (1)	(199,390)	(173,480)	(1,955,931)	(1,732,132)
	<u>54,748</u>	<u>123,994</u>	<u>407,141</u>	<u>413,413</u>
Payroll	(3,251)	(2,278)	(25,710)	(22,214)
Employee benefits	(1,380)	(1,549)	(13,256)	(11,522)
Fees, services and software (primarily TeamCare)	(6,916)	(6,561)	(61,295)	(57,420)
Rent	(250)	(239)	(2,266)	(2,236)
Office (2)	(449)	(496)	(6,176)	(15,598)
Other	(2,692)	(3,877)	1,084	(1,162)
	<u>(14,938)</u>	<u>(15,000)</u>	<u>(107,618)</u>	<u>(110,151)</u>
Net from operations	39,810	108,994	299,523	303,262
Investments, net	<u>(40,086)</u>	<u>(108,923)</u>	<u>(299,049)</u>	<u>(303,112)</u>
Change in cash	(276)	71	474	150
Cash:				
Beginning of period	<u>837</u>	<u>154</u>	<u>87</u>	<u>75</u>
End of period	<u>\$ 561</u>	<u>225</u>	<u>561</u>	<u>225</u>

Note(s):

(1) Includes change in overdraft of:

(2) Includes transitional reinsurance fee:

\$ 111	(2,260)	388	1,528
\$ 0	0	0	9,779

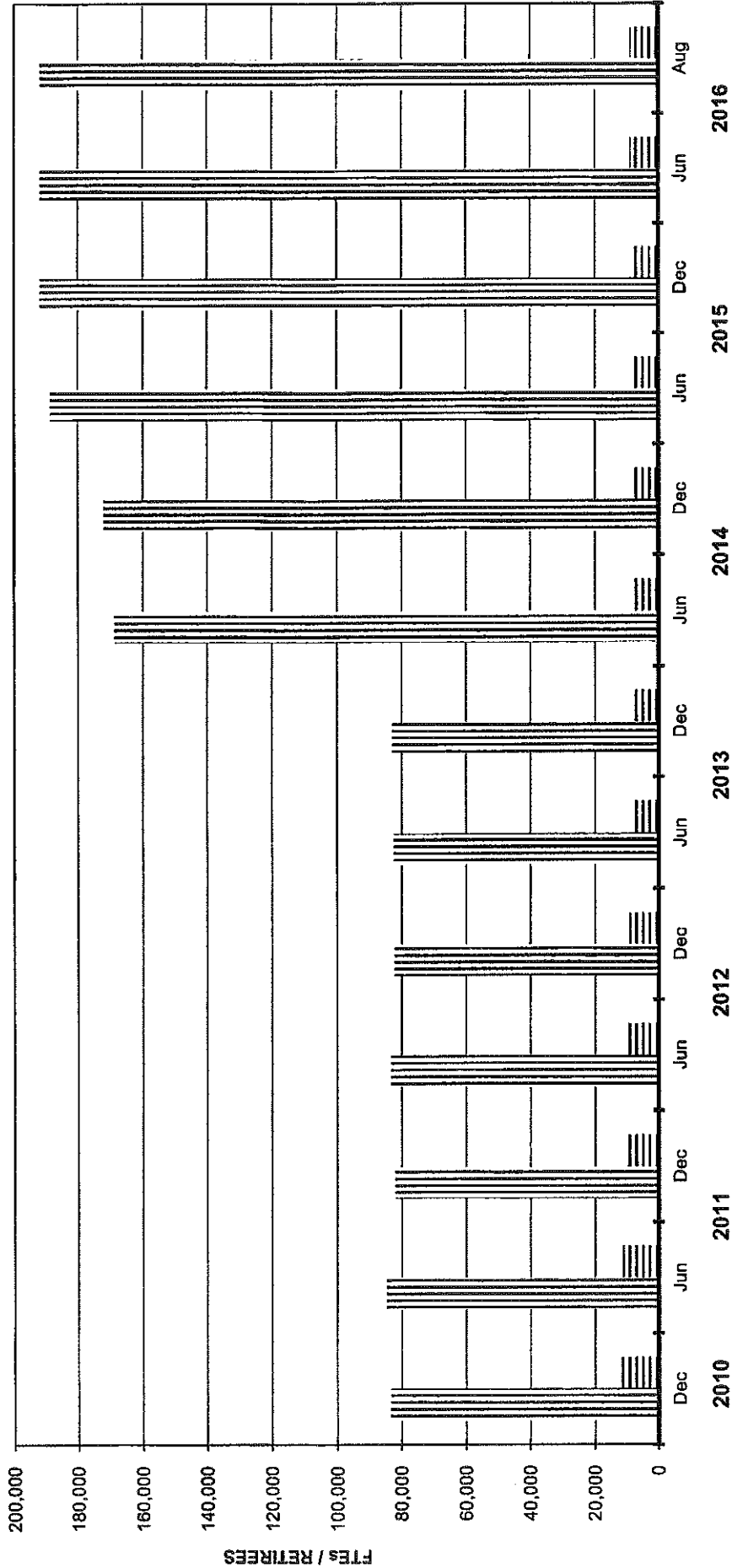
FOR INTERNAL USE ONLY  
6a

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

	Years Ended		
	2015	2014	2013
<b>Operations:</b>			
Contributions	\$ 2,924,805	2,009,387	1,288,752
LPS lump sum	0	1,713,870	0
Benefits paid, net (1)	<u>(2,338,290)</u>	<u>(1,615,150)</u>	<u>(1,117,059)</u>
	<u>586,515</u>	<u>2,108,107</u>	<u>171,693</u>
Payroll	(31,516)	(26,720)	(20,268)
Employee benefits	(15,630)	(13,732)	(10,154)
Fees, services and software (primarily TeamCare)	(77,970)	(56,233)	(37,566)
Rent	(2,862)	(2,852)	(2,117)
Office (2)	(19,335)	(6,030)	(4,724)
Other	(1,697)	(5,677)	(4,877)
	<u>(149,110)</u>	<u>(111,244)</u>	<u>(79,706)</u>
Net from operations	437,405	1,996,863	91,987
Investments, net	<u>(437,393)</u>	<u>(1,996,820)</u>	<u>(92,292)</u>
Change in cash	12	43	(305)
<b>Cash:</b>			
Beginning of period	<u>75</u>	<u>32</u>	<u>337</u>
End of period	<u>\$ 87</u>	<u>\$ 75</u>	<u>\$ 337</u>
<b>Note(s):</b>			
(1) Includes change in overdraft of:	\$ 2,487	4,062	483
(2) Includes transitional reinsurance fee:	\$ 11,735	0	0

# Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees  
December 2010 Through August 2016



|| FTEs    ▨ RETIREES