

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
SEPTEMBER 30, 2016

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**PENSION FUND
FINANCIAL REPORT**
September 30, 2016 and the Nine Months Then Ended
Dollars in Thousands

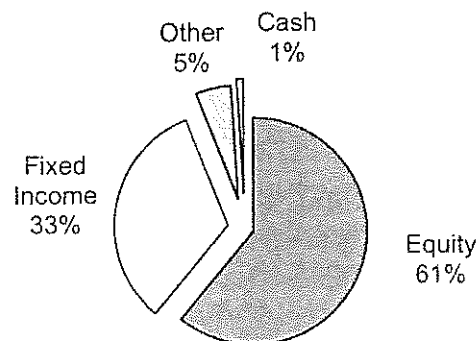
1. Net assets were \$15,701,983 at September 30, 2016, compared to \$16,126,208 at December 31, 2015, a decrease of \$424,225 compared to a decrease of \$1,940,426 for the same period last year.

The \$1,516,201 difference is due to \$1,782,054 more net investment income offset by \$265,853 more net operating loss.

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

	Actives	Retirees
As of:		
August 2016	59,850	203,676
December 2015	59,601	205,202
Eight-month average:		
August 2016	59,179	204,404
August 2015	60,132	206,891
% decrease	(1.58)%	(1.20)%

3. For the nine months ended September 2016, the Fund's net asset decrease from operations (before investment income) was \$1,570,324 compared to a decrease of \$1,304,471 for the same period in 2015, or a \$265,853 unfavorable change:
- (\$271,866) less contributions primarily due to recognition of withdrawal liability previously classified as potentially refundable in 2015,
 - \$3,521 less benefits and
 - \$2,492 less general and administrative expenses.
4. During the nine months ended September 2016 and 2015, the Fund withdrew \$1,749,044 and \$1,427,054 respectively, from investment assets to fund the cash operating deficit.
5. Investment asset allocation as of September 30, 2016:



Central States, Southeast and Southwest Areas Pension 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
Investments:				
Cash equivalents	\$ 549,151	620,846	(71,695)	(0.5)
Fixed income	4,444,961	4,689,031	(244,070)	(1.5)
Equity	9,805,363	10,054,750	(249,387)	(1.5)
Other	685,045	687,073	(2,028)	-
Total investments	<u>15,484,520</u>	<u>16,051,700</u>	<u>(567,180)</u>	<u>(3.5)</u>
Investment related assets	2,250,686	2,300,151	(49,465)	(0.3)
Employer contributions receivable, net	63,932	72,206	(8,274)	-
Other assets	<u>226,647</u>	<u>9,602</u>	<u>217,045 (1)</u>	<u>1.3</u>
Total assets	<u>18,025,785</u>	<u>18,433,659</u>	<u>(407,874)</u>	<u>(2.5)</u>
Investment related liabilities	2,234,096	2,244,189	10,093	0.1
Other liabilities	89,706	63,262	(26,444)	(0.2)
Total liabilities	<u>2,323,802</u>	<u>2,307,451</u>	<u>(16,351)</u>	<u>(0.1)</u>
NET ASSETS	<u>\$ 15,701,983</u>	<u>16,126,208</u>	<u>(424,225)</u>	<u>(2.6)</u>

Note(s):
 (1) Includes timing for EFT funding and related withholdings of \$218 million.

Central States, Southeast and Southwest Areas Pension 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
INCOME & EXPENSES				
Contributions (includes W/L)	\$ 572,911	844,777	(271,866) (1)	(32.2)
Benefits	2,107,454	2,110,975	3,521	0.2
General and administrative expenses	35,781	38,273	2,492	6.5
Change in net assets before net investment income(loss)	(1,570,324)	(1,304,471)	(265,853)	N/A
Net investment income(loss)	1,146,099	(635,955)	1,782,054	N/A
Change in net assets	\$ (424,225)	(1,940,426)	1,516,201	N/A

OPERATING STATISTICS

Benefits to contributions	367.9 %	249.9 %
General and administrative expenses to:		
Contributions	6.2 %	4.5 %
Benefits	1.7 %	1.8 %
Eight-month average FTEs	59,179	60,132
Contributions per average FTE	\$ 9,681	14,049
Benefits per average FTE	\$ 35,612	35,106
Pensioners and beneficiaries - current month	203,500	205,775
Current month average benefit per pensioner and beneficiary	\$ 1,143	1,136

Note(s):

(1) Primarily recognition of withdrawal liability previously classified as potentially refundable in 2015.

Central States, Southeast and Southwest Areas Pension 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 (includes W/L)	\$ 572,911	78,100	117,189	768,200
Benefits	2,107,454	233,800	467,546	2,808,800
General and administrative expenses	<u>35,781</u>	<u>4,300</u>	<u>8,419</u>	<u>48,500</u>
Change in net assets before net investment income(loss)	\$ <u>(1,570,324)</u>	<u>(160,000)</u>	<u>(358,776)</u>	<u>(2,089,100)</u>

Assumptions Used in 2016 Projections

Contributions - No change in plan mix and \$157.5 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2015 expenses for remaining months and decreased MPRA related expenses.

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

	September 30, 2016	December 31, 2014
ASSETS		
Investments:		
Cash equivalents	\$ 549,151	652,095
Fixed income	4,444,961	5,292,888
Equity	9,805,363	11,179,145
Other, primarily real estate related	685,045	808,375
Total investments	15,484,520	17,932,503
Receivables:		
Employer contributions, less allowance for uncollectible contributions (1)	63,932	84,074
Interest and dividends	55,948	62,986
Other, primarily for securities sold	236,392	354,774
Total receivables	356,272	501,834
Cash	1,471	1,295
Assets held in securities lending program	1,958,346	2,142,191
Other, primarily furniture and equipment - net (2)	225,176	6,480
Total assets	18,025,785	20,584,303
LIABILITIES		
Liability to return collateral held under securities lending agreements	1,882,083	2,142,191
Payable for securities purchased	350,687	357,263
Accounts payable and accrued expenses (3)	69,044	67,532
Deferred withdrawal liability receipts	5,637	154,211
Total liabilities	2,307,451	2,721,197
NET ASSETS		
	\$ 15,701,983	17,863,106
Note(s):		
(1) Allowance for uncollectible contributions:	71,779	73,876
Reserve for YRC included in above allowance:	59,862	60,060
(2) Includes timing for EFT funding and related withholdings:	0	0
(3) Includes a liability for 401(h) plan assets:	48,347	48,058

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

	September		Nine Months Ended September	
	2016	2015	2016	2015
Revenue:				
Contributions	\$ 48,228	46,492	448,898	441,531
Withdrawal liability	8,489	13,386	124,013	403,246 (1)
Total revenue	<u>56,717</u>	<u>59,878</u>	<u>572,911</u>	<u>844,777</u>
Benefits and expenses:				
Benefits to participants	234,773	235,021	2,107,454	2,110,975
General and administrative expenses	3,798	4,212	35,781	38,273
Total benefits and expenses	<u>238,571</u>	<u>239,233</u>	<u>2,143,235</u>	<u>2,149,248</u>
Change in net assets before net investment income(loss)	(181,854)	(179,355)	(1,570,324)	(1,304,471)
Investment income(loss):				
Interest, dividends and other	26,254	31,535	259,095	288,138
Realized and unrealized gain(loss) on investments, net	47,979	(396,697)	917,677	(891,675)
Investment expenses	(3,383)	(2,899)	(30,673)	(32,418)
Net investment income(loss)	<u>70,850</u>	<u>(368,061)</u>	<u>1,146,099</u>	<u>(635,955)</u>
Change in net assets	(111,004)	(547,416)	(424,225)	(1,940,426)
NET ASSETS:				
Beginning of period	15,812,987	16,470,096	16,126,208	17,863,106
End of period	<u>\$ 15,701,983</u>	<u>15,922,680</u>	<u>15,701,983</u>	<u>15,922,680</u>

Note(s):

(1) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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

	Years Ended		
	2015	2014	2013
Revenue:			
Contributions	\$ 586,686	582,359	571,104
Withdrawal liability	687,827	232,836	153,928
Total revenue	<u>1,274,513</u>	<u>815,195</u>	<u>725,032</u>
Benefits and expenses:			
Benefits to participants	2,814,338	2,822,248	2,822,508
General and administrative expenses	52,562	38,078	36,799
Total benefits and expenses	<u>2,866,900</u>	<u>2,860,326</u>	<u>2,859,307</u>
Change in net assets before net investment income(loss)	(1,592,387)	(2,045,131)	(2,134,275)
Investment income(loss):			
Interest, dividends and other	368,132	370,170	348,708
Realized and unrealized gain(loss) on investments, net	(470,066)	843,954	2,807,635
Investment expenses	(42,577)	(46,646)	(46,568)
Net investment income(loss)	<u>(144,511)</u>	<u>1,167,478</u>	<u>3,109,775</u>
Change in net assets	(1,736,898)	(877,653)	975,500
NET ASSETS:			
Beginning of period	<u>17,863,106</u>	<u>18,740,759</u>	<u>17,765,259</u>
End of period	<u>\$ 16,126,208</u>	<u>17,863,106</u>	<u>18,740,759</u>
			<u>2,823,581</u>
			<u>34,498</u>
			<u>2,858,079</u>
			<u>(2,100,373)</u>
			379,051
			1,881,196
			<u>(44,490)</u>
			<u>2,215,757</u>
			115,384
			<u>17,649,875</u>
			<u>17,765,259</u>

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

	September		September	
	2016	2015	2016	2015
Operations:				
Contributions	\$ 53,186	56,252	456,955	442,239
Benefits paid, net (1)(2)	(433,074)	(235,426)	(2,305,131)	(2,110,054)
	<u>(379,888)</u>	<u>(179,174)</u>	<u>(1,848,176)</u>	<u>(1,667,815)</u>
Payroll	(1,594)	(1,271)	(11,883)	(12,561)
Employee benefits	(605)	(782)	(5,677)	(5,812)
Fees, services and software	(280)	(544)	(5,474)	(5,213)
Rent	(113)	(140)	(1,037)	(1,304)
Office	(230)	(275)	(3,156)	(4,033)
Withdrawal liability receipts	7,901	13,463	122,132	267,586
Other	(3,407)	4,484	(3,468)	1,540
	<u>1,672</u>	<u>14,935</u>	<u>91,437</u>	<u>240,203</u>
Net from operations	<u>(378,216)</u>	<u>(164,239)</u>	<u>(1,756,739)</u>	<u>(1,427,612)</u>
Investments:				
Net sales(purchases)	356,919	95,271	1,528,489	1,183,257
Interest and dividends	25,420	31,320	260,398	280,041
Management fees	(3,243)	(1,987)	(32,195)	(35,754)
Investments, net	<u>379,096</u>	<u>124,604</u>	<u>1,756,692</u>	<u>1,427,544</u>
Change in cash	880	(39,635)	(47)	(68)
Cash:				
Beginning of period	591	40,862	1,518	1,295
End of period	<u>\$ 1,471</u>	<u>1,227</u>	<u>1,471</u>	<u>1,227</u>

Note(s):

(1) Includes change in overdraft:

\$ 501 (404) 1,125 921

(2) Includes timing for EFT funding:

\$ (198,802) 0 (198,802) 0

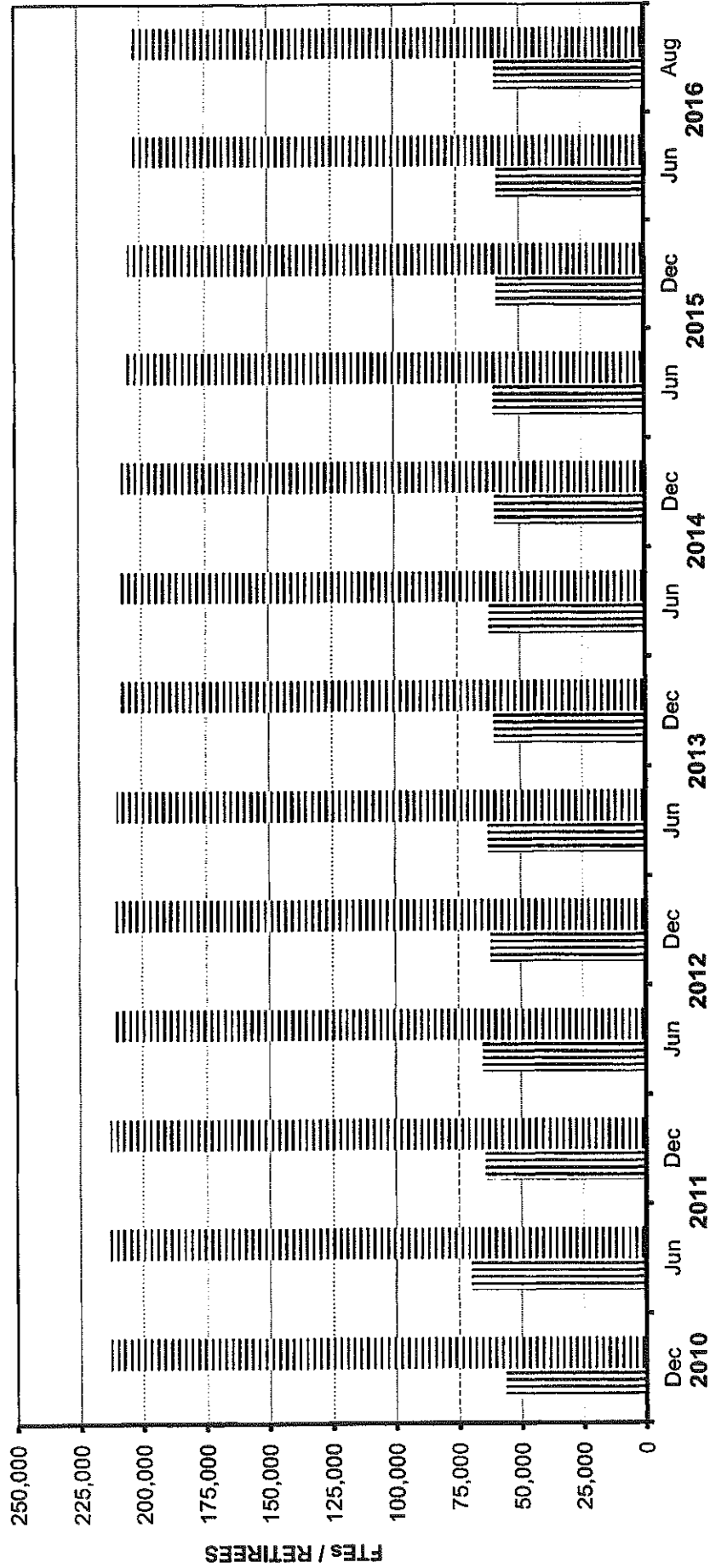
Central States, Southeast and Southwest Areas Pension Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	Years Ended		
	2015	2014	2013
Operations:			
Contributions	\$ 597,999	580,516	572,902
Benefits paid, net (1)	(2,814,127)	(2,822,084)	(2,822,571)
	<u>(2,216,128)</u>	<u>(2,241,568)</u>	<u>(2,249,669)</u>
Payroll	(17,741)	(16,145)	(15,941)
Employee benefits	(7,816)	(7,456)	(7,532)
Fees, services and software	(7,687)	(4,102)	(2,726)
Rent	(1,730)	(1,663)	(1,717)
Office	(15,380)	(8,358)	(8,850)
Withdrawal liability receipts	548,619	255,800	234,417
Other	(980)	(5,523)	(1,084)
	<u>497,285</u>	<u>212,553</u>	<u>196,567</u>
Net from operations	<u>(1,718,843)</u>	<u>(2,029,015)</u>	<u>(2,053,102)</u>
Investments:			
Net sales(purchases)	1,398,513	1,707,729	1,760,498
Interest and dividends	364,575	367,079	337,794
Management fees	(44,022)	(45,818)	(46,282)
Investments, net	<u>1,719,066</u>	<u>2,028,990</u>	<u>2,052,010</u>
Change in cash	223	(25)	(1,092)
Cash:			
Beginning of period	<u>1,295</u>	<u>1,320</u>	<u>2,412</u>
End of period	<u>\$ 1,518</u>	<u>1,295</u>	<u>1,320</u>

Note(s):
(1) Includes change in overdraft: \$ 210 163 (62) (84)

Central States Pension Fund

Full Time Equivalents vs. Retirees
December 2010 Through August 2016



||| FTEs = RETIREES